

## BOARD OF SUPERVISOR'S

# HERITAGE HARBOUR SOUTH COMMUNITY DEVELOPMENT DISTRICT

## AGENDA July 15, 2010

### Board of Supervisor's

**Charles Faust, Chairman**  
**Anthony Burdett, Vice Chairman**  
**Rosalie Ann Celio, Assistant Secretary**  
**W. Lee Bettes, Assistant Secretary**  
**Joseph Jaudon, Assistant Secretary**

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# HERITAGE HARBOUR SOUTH COMMUNITY DEVELOPMENT DISTRICT

June 28, 2010

Board of Supervisors  
Heritage Harbour South Community Development District

Dear Board Members:

The Regular Meeting of the Board of Supervisors of the Heritage Harbour South Community Development District will be held on **Thursday, July 15, 2010 at 3:00 P.M.**, at the **River Strand Golf and County Club (Club House), 7155 Grand Estuary Trail, Bradenton, Florida 34212.**

The agenda is as follows:

1. Call to Order & Roll Call.
2. Consideration of Minutes.
  - a) June 3, 2010 Regular Meeting
3. Consideration of Agreement(s) with Morris Engineering:
  - a) Infrastructure Renovation Management Services
  - b) Field Management Services
4. Discussion of Implementation for Infrastructure Renovation Management Services and Field Management Services for Fiscal Year 2010.
5. Discussion of Assessment Methodology for the General Fund of the District.
6. Staff Reports
  - a) Attorney
  - b) Engineer
  - c) Manager
    - i. Financial Statements for the period May 1, 2010 through May 31, 2010.
    - ii. Status of Aquaterra Agreement.
7. Audience Comments and Supervisor's Requests.
8. Adjournment.



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The second order of business is consideration of the June 3, 2010 minutes.

The third order of business deals with two agreements with Morris Engineering to provide the required professional support for Fiscal Year 2011 in the implementation of the Infrastructure Renovation Projects along with the on-going field management services for the programs and services that the District will be assuming from the various associations for Fiscal Year 2011. The proposed agreements outline both a scope of service and fee structure for the firm.

The services include preparation of required specifications for each item that the District will be implementing, obtaining vendor quotes and preparing tabulations of the quotes for the projects, qualifying vendors to provide the services, assisting in the preparation of contracts, obtaining insurance certificates, and finally providing periodic inspections of the projects to insure compliance with the contracts and recommending vendor invoices for payment to the Manager's office.

Morris Engineering will be provided authorization to begin the work identified in the Agreements after the District's public hearing in September which will coincide with the adoption of the District's Fiscal Year 2011 Budget.

The fourth item on the Agenda is a discussion on the implementation procedures for both the Infrastructure Renovation Project and the operational programs for next year.

With the variety of projects that are anticipated to be implemented next year, I thought it would be appropriate to discuss a guideline for implementation of the programs outlined in the Fiscal Year 2011 Budget.

In the way of some background regarding the vendor selection process, recently, Florida Law was changed dealing with what we commonly refer to as the "sealed bid" process, that is a process under the law which requires governmental agencies, including CDD's to prepare specifications and contracts at the same time, advertise these projects in local newspapers that the District will be accepting sealed bids on a specific date, time and location and will publically open those bids and read them aloud. The bids are then evaluated by staff and ultimately a recommendation for award goes before the Board of Supervisors. That process has a number of different thresholds, depending on the type of project, but for Heritage Harbour South, the project threshold for the planned projects is \$195,000, which threshold is less that was what previously in the Statute.

The District's projects all fall well below that threshold, as such we plan on using a more streamlined process in which staff will prepare the proposed detail specification for the project, based on the District's Budget, obtain generally three (3) vendor quotes, and depending on the quotes, we may adjust the specification to provide a better or more cost effective solution, then



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authorize the contract, either through a staff initiated purchase order or prepare a more formalized agreement/contract for the vendor and the District to execute. More often, those more formalized agreements/contracts will be for larger projects, which are those that span the entire Fiscal Year of the District or are in excess of a specific threshold. The below is a guideline of the projects and their anticipated authorization level.

Project	Authorization Level	Project Estimate
Professional Service – Morris Engineering	Board	Agenda Item
Irrigation System Flushing	Staff	\$10,000
Lake Maintenance	Board	\$45,000
Wetland and Conveyance Ditch Maintenance	Board	\$30,000
Locks for Irrigation Controls/Elec. Boxes	Staff	\$250
Repair Damaged Control Structures	Staff	\$4,500
Remove Vegetation from Wetlands	Staff	\$10,000
Remove Sediment from inlets/Pipes	Board	\$65,000
Mark Pipe Ends	Staff	\$1,500
Trash removal from inlets	Staff	\$15,000
Repair Erosion – Weir Structures	Staff	\$15,000
Repair/stabilize Lake Bank Wash Outs	Staff	\$4,000

Next, and as importantly will be the timing of the projects. As noted earlier, authorization of the work with Morris Engineering will begin after the District's Public Hearing on the Proposed Budget in September, as such, Morris Engineering will take the months of October and November to do all of the work enumerated above to insure we can bring back to the Board in December 2010 or January 2011 any final authorizations necessary to ensure the projects are underway in January 2011.

One of the key reasons in the retention of Morris Engineering is to provide the required staffing levels needed to implement these services, to better identify the right vendors to implement the service, to raise the level of on-site field services within the District for inspections of vendor work and to provide residents a source to answer questions that may come up during the year. We know going into this coming Fiscal Year, that we must provide the community with the right service, at the right time within budget, and the team we have in place is fully intended to do that.

As an important part of these services Morris Engineering will be providing a pro-active approach to field services for the District. This will enable the Board to not simply react to an issue that arises but to have the field operations staff better anticipate issues, research



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alternatives, recommend solutions, and ultimately bring those recommendations to the Board of Supervisors for discussion and implementation.

Finally, as part of the process we are intending to provide periodic updates to the Board, initially that will be at each Board meeting of the progress in implementing each program, then as we award contracts for services, periodic reviews of vendor performance, and identification of recommended scope of service changes that may become necessary or apparent as we implement these programs. This approach to the daily management of the District is clearly intended to provide the Community a high degree of professionalism in the implementation of programs and services and to provide a mechanism to permit the Board to evaluate the programs and services throughout the year and to provide the community with a complete and through understanding of the scope of services and cost of services provided by the District.

The fifth order of business is a discussion of the General Fund Assessment Methodology for the services provided by the District. As you know, the District has previously levied the assessments equally on all units within the District since the services provided were all administrative and financial in nature. With the addition of certain operating services for the District, the District has proposed to levy the assessments for Fiscal Year 2011 in the same manner that we currently use, and expressed a desire to look at the alternative methods for levying assessments that more closely parallel the use of the facilities by product types within the District.

As such, there are two (2) alternatives that I have identified that would be appropriate for the Board to consider utilizing in the future. Both are based on the adopted methodology that the District utilizes for the capital assessments (debt service for the 2002 and 2003 Bonds). In the capital assessment methodologies, equivalent residential unit (ERU) factors were assigned to each product type in the District that are based on the use of the facilities, including the water management system and the irrigation system (line distribution system). Those factors are then applied to the number of residential units in each product type to obtain the total number of ERU's by product type and total number of ERU's in the District. There are two minor changes, the first is to update the Clubhouse/Commercial ERU assignment to 20 ERU's and the second is to establish an ERU value for the 85' Single Family Product line. This type of methodology along with the uniform assessment for all products have all been used by District's throughout the State for a number of years and are well accepted, and although you can have a very detailed analysis of the ERU allocation by unit, which may change the ERU values, in this instance even a significant change in any one product line's ERU value will not significantly change the assessment rate per unit, simply due to the fact that the operating services are limited to water management and irrigation water. The primary responsibility is to insure that there is a benefit that accrues to the property from the imposition of the assessment, which essentially means that the ERU factors are fair and reasonable and based on accepted criteria. The ERU factor is only subject to an objective review by qualified professionals, but once established,



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discretionary changes are highly discouraged, since these discretionary changes subject the District to court challenges. This is the primary reason that I am using the ERU factor's from the District's capital assessments, these have been validated in Court and Bonds issued, and as such, are recognized standards for the District.

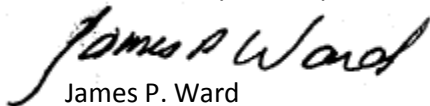
For the two recommended methodologies, the difference is as follows: Option 1 allocates all expenditures in the general fund in the same manner as the capital assessment and option 2 allocates the administrative and financial expenditures uniformly across all units and all field expenditures in the same manner as the capital assessment. They do not produce significantly different results, however both are fair and reasonable alternatives for consideration.

Description	Product Units	ERU Factor	Total ERU	Option 1	Option 2	FY 2011 Proposed
Single Family 55'	248	1.0	248	486.90	472.14	396.35
Single Family 65'	225	1.25	281.25	608.63	574.01	396.35
Single Family 80'	154	1.5	231	730.36	675.88	396.35
Single Family 85'	19	1.7	32.3	827.74	757.38	396.35
Stone Harbor Condo	120	.5	60	243.45	268.39	396.35
Twin Villas	145	.75	108.75	365.18	370.26	396.35
Club Home	36	.75	27	365.18	370.26	396.35
Clubhouse	20	1	20	486.90	472.14	396.35
Single Family 40'	245	.4	98	194.76	227.64	396.35
Lighthouse Cove TH	255	.33	84.15	160.68	199.12	396.35
Commercial	20	1	20	486.90	472.14	396.35
<b>Total:</b>	<b>1487</b>		<b>1210.45</b>			

Under my report, are the unaudited Financial Statements for the period ending May 31, 2010. Additionally, I have included a place holder to discuss any developments with the Aquaterra Agreement. As of this date, Aquaterra has not responded to the final draft Agreement.

The remainder of the Agenda is standard in nature, and in the meantime, if you have any questions or comments; please do not hesitate to contact me directly at (954) 658-4900.

Yours sincerely,  
Heritage Harbour South  
Community Development District



James P. Ward  
District Manager  
Enclosure



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**MINUTES OF MEETING  
HERITAGE HARBOUR SOUTH  
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Board Meeting of the Heritage Harbour South Community Development District's Board of Supervisors was held on **Thursday, June 3, 2010** at 3:00 p.m., at the **River Strand Golf & Country Club (Clubhouse), 7155 Grand Estuary Trail, Bradenton, Florida 34212.**

**Present and constituting a quorum were:**

Charles Faust	Chairman
Anthony Burdett	Vice Chairman
W. Lee Bettes	Assistant Secretary
Rosalie Ann Celio	Assistant Secretary
Joseph Jaudon	Assistant Secretary

**Also present were:**

James P. Ward	District Manager
Shane Cooper	Banks Engineering
Matthew Morris	Morris Engineering
William Riley	Morris Engineering
Kenza Van Assenderp (via telephone)	District Counsel
Joe Ramsey	Resident
Patti Peotter-Bettes	Resident
Klaus Offermann	Resident
Gene Aulenbach	Resident
Barbara Aulenbach	Resident
Ira Tropp	Resident
Tom Tullio	Resident

**FIRST ORDER OF BUSINESS**

**Call to Order/Roll Call**

Mr. Faust called the meeting to order and noted that all members of the Board are present and there is a quorum at roll call at 3:00 p.m.

**SECOND ORDER OF BUSINESS**

**Consideration of Minutes**

**a. May 6, 2010 Regular Meeting.**

Mr. Faust stated, the first item on the agenda is the Consideration of Minutes of the May 6<sup>th</sup> meeting. Are there any additions or corrections to the minutes of that meeting?

Mr. Jaudon stated, this is a very mild thing. Not being picky but “Assistant Secretary” was left off my name on page 1.

Mr. Faust replied, we’ll make that correction in the official minutes. Any other additions or corrections to the minutes of the May 6<sup>th</sup> meeting?

**On MOTION by Mr. Bettes and seconded by Ms. Celio with all in favor of approving the May 6, 2010 meeting minutes as corrected.**

**THIRD ORDER OF BUSINESS****Consideration of Resolution 2010-07**

Mr. Faust stated, the next item on the agenda is Resolution 2010-07, and it is approving a proposed Budget for the fiscal year 2011, and also setting a public hearing for September 2, 2010, with regard to the proposed Budget.

Mr. Ward stated, thank you Mr. Chairman. I have enclosed in your agenda package a copy of the revised proposed Budget for fiscal year 2011, which starts on October 1, 2010, and ends on September 30, 2011. The Budget has been changed significantly from what you saw at your last meeting to now include both the project improvement restoration program and the assumption of the maintenance responsibilities for the water management system here in Heritage Harbour South. What I am going to do is just really go through the changes that have occurred from the last meeting with you. They are essentially contained on page 2 of the letter that I had written to you in the Budget itself.

Mr. Ward continued, in the infrastructure restoration program, we have included one-time costs of approximately \$142,000 that includes both professional fees and the estimated cost of construction related to that program. That amount has not changed since you saw it from the Morris Engineering report at your last Board meeting. The additions above and beyond that are the two items, first for the Aquaterra reuse water fees and included in here is approximately \$165,000 to pay to Aquaterra during the period January 1, 2011 through September 30, 2011, to cover the fees that are anticipated for the Stoneybrook and Lighthouse Cove communities. Then the final piece of that is the maintenance cost related to the irrigation system, the lake maintenance, and the wetland

and conveyance systems, all in the amount of approximately \$313,100 that had been added to your Budget for this year.

Mr. Ward added, a couple of additional comments that I will make to you is, the Budget contemplates that the programs will begin on January 1, 2011, and end on September 30, 2011, so there is 9 months' worth of operating costs in this Budget for the maintenance system. That was done simply for two reasons; one is to coincide with the end date of December 31<sup>st</sup> for the Master or the Stoneybrook or Lighthouse Cove Associations fees that they are collecting from residents, and two, as importantly, is to deal with the cash flow requirements that we need in order to fund those operations and, as I have mentioned to you before, we get a significant portion of our monies roughly in the week between Christmas and New Year, and that will give us sufficient monies at that point necessary to fund those operations. That is also true for the infrastructure restoration project and, as I noted in the cover letter to you, we will have the ability to probably start the design work on the infrastructure restoration project and the contract work necessary to get the maintenance programs in place, but the actual start date for all of those programs would essentially be the beginning of the next calendar year.

Mr. Ward stated, there are a couple of programs that I did not include in this Budget for next year. One of which is the item that was in the Morris Engineering report for the pavement resurfacing in Central Park in the amount of \$10,000. I noted in the Master HOAs Budget and financial statements that they have some amount of money in there that they could handle that, and I am recommending to you that that you either direct the Master HOA to handle that.

Mr. Ward continues, the second item are the sinkhole repairs that were in multiple locations along the roadways. They were Budgeted in the Morris Engineering report at \$10,000. I have recommended to you that they be handled either by the Master Association or the appropriate sub-association here in the community, and it is my understanding, at least the one that is in Stoneybrook has already started restoration work.

Mr. Ward stated, then the final element is the street sweeping program. The estimate is about \$2,400 per month to do that. I think that number was in the Morris Engineering report at \$2,400 for an entire year, but it was just I think they just did not carry that number out in their excel worksheets. So, that number is \$28,800. If you want to handle that, we can add that back in here in the agreement that we have with the Master HOA, that is

required to be done twice per year, and that would cost about \$5,000 for the Master HOA to conform with the requirements of the existing agreement that you have with them, and I have recommended to you also that we pass that back to the Master HOA and let them handle that for at least fiscal year 2011.

Mr. Ward concluded, so with that, those are essentially all of the changes that have been done to the Budget for next year. The significant change, obviously, is the assessment rate. It goes from \$62.79 per unit in the general fund up to \$396.35 per unit for the programs that I just went through and identified to you. I also tried in this letter that I sent to you to identify at least some of the reductions that you may see in either the Master HOA Budget or the Stoneybrook Budget, and try to at least indicate what your reduction might be in those. It is very difficult for me to do that since I am not the manager of the Master or the Stoneybrook, and I really do not know how those calculations are done, but in any event, you should see some reduction by having those programs put into the CDD from those particular Budgets, but your Budget goes up from \$62.79 to \$396.35 per unit. So, with that, there were no other changes that were made to the Budget, and I will certainly stop and answer any questions that you all may have.

Mr. Faust asked, do the Board members have any questions or comments regarding the proposed Budget?

Mr. Jaudon stated, Jim, on page one on your Resolution, section 2, there is a typo error there.

Mr. Ward acknowledged, got it.

Mr. Jaudon continued, observation, concerning the general fund, I know in the past that you all have only looked at square footages as a means of coming up with a fair calculation for taxation purposes. What about other factors? I am thinking about land area, impacts on District facilities, i.e. impacts on lakes and woodlands, due to run-off, concerning fertilizers, pesticides, and those other type things that are used. Just some general thinking that we may need to revisit this area.

Mr. Ward replied, when you levy an assessment in a general fund, as you do for capital facilities, you can use a number of different, what we call methodologies in order to assess different residents in your community. This one uses a straightforward simple method that assesses all units equally for all of the costs of operation of the District under the theory that all residents benefit generally equally from the use of all of the facilities

within the District, irrespective of what that facility generally is. The water management system for example is basically to prevent flooding of lots. Well that is all lots, and this is considered relatively equally, and everybody benefits from that. So that is the way this methodology has been written. Do you have the ability to write a methodology that would consider different factors such as surface water run-off to different sized lots, etc? They are complicated to write, they are time consuming to write, but it can be done. I can clearly tell you, with the timing on this Budget and the additions of all these additional facilities, it just was not possible to get that done for this fiscal year. You may want to consider that in the future year but, at the end of the day, I will still tell you, they are extraordinarily complicated, and I am not so sure you get a significant benefit District wide by making those kinds of changes.

Mr. Jaudon responded, well, I do know that in the past there have been some changes to this. I was just wondering in the future would we benefit by even thinking about this in the future. I wasn't speaking about, you know, any changes with this particular Budget.

Mr. Ward stated, I think as we get into next year, if you want as a Board to look at that, we certainly can come up with some ideas that might provide different rate structures depending upon the product line that everyone is in. I am not personally a huge proponent of those, simply because of the complexity of the methodologies that need to get written in order to get them done. It is certainly an option that we can look at for you.

Mr. Faust asks if there are any other questions or comments from the Board.

Mr. Bettes stated, I will start with a comment. I think this is a large enough Budget, that it deserves some comment. I am fully in support of this Budget. I am not going to advocate changing numbers, but I think as a Board, we need to understand that this is a significant step that we are taking. Again, one that I believe in, but it is moving the CDD from a purely financial, we pay off the bond type CDD into one that is going to play an active role in the management of the assets of the association. We are going to, in fullness of time, take over the sprinkler system, the storm water systems, the wilderness areas, and that will put tremendous pressures on this Board in terms of oversight, procedures, future funding, and so we should go into this with our eyes wide open.

Mr. Bettes continued, it also represents, I will use the term political, and we have a better relationship than to call it political, but it is redefining our relationship with the Master

Association and, in particular, in who handles what. This Budget was designed essentially to say the CDD is going to begin handling those assets which directly impact the housing units, so those assets located in the Stoneybrook Community and the various Lighthouse Cove communities, and those CDD assets which lie outside of the housing units will most likely, in the future, be maintained, serviced, and funded by the Master Association. So, in our irrigation Budget, we allowed enough money to pay for the Stoneybrook and Lighthouse Cove irrigation water, but we didn't allocate any money to pay for the ball fields for example. So, everyone sort of needs to understand that we are at this critical juncture in our young life, and it is a path I think we need to go down, but it is an important decision.

Mr. Faust asks if there is anything else. Any comments from the audience?

Mr. Joe Ramsey commented, this Budget was discussed widely at our last Board of Directors meeting, and the general consensus at Lighthouse Cove, this is divided by units like you said, just divide that, they are all about the same. The increases are all about the same per unit, but the density per unit is vastly different. So I do not think there is an equal share of use of the resources at all. The homeowners are struggling, like everybody is, especially our working class neighborhood, and we are faced with, it's less than any of the others I'll admit that, but it is a \$300+ increase. Assuming the Aquaterra kind of goes away, and lake maintenance goes away. It is still a net increase, and I would like to see more consideration given to Mr. Jaudon's recommendation that you have a difference. Because the way the lots work, it is 55 foot front, but it is 140 feet deep. There is a big difference. If you look at the houses around there in Stoneybrook versus the houses at Lighthouse Cove versus the same unit that is now being sold for \$70,000 to \$80,000 in the condos, they are getting a \$300 increase and a \$400,000 home is getting a \$300 increase. You know this is not equitable at all, and I don't know if you can go to the millage rates, if you all have that option or not, something to get it more equitable. That is fine if everything is the same. You know for all condos, all the lots are the same, all the buildings are the same, that's fine. It's not that, at all. I know specifically in my subdivision in the condos, proportionately it is a very disproportional increase in the tax rate for those individual units, and it is going to cause a lot of heartaches on a lot of people as it is. I agree with the Budget, I support the Budget, and I like the direction you are going, but I would like some more consideration to be given to a density factor or something, use of the assets. That is my only comment.

Mr. Faust thanks Mr. Ramsey and asks other comments?

Mrs. Aulenbach comments, I support the direction too that the Board is headed in covering a lot of these new functions in the Budget. I think it is going to be a benefit to all the homeowners in the CDD.

Mr. Faust asked if there is anything else.

Mr. Faust stated, this Budget really identifies the things we have been talking about for months. The result of the engineering study, the attempt of the District to get the storm water in other areas under control, identify the problems and resolve them and, over the course of the year, this Budget would fund what is needed to accomplish that, in addition to provide for the necessary maintenance of those items once the corrections have been made. Mr. Ward mentioned that there would be some impact on the community Budgets as a result of some of the things that would no longer be handled by those communities, and it be funded here, but it is hard to identify specifically what impacts would be made until they are involved in their own Budget processes, but we are all aware of that and will be watching that carefully. If there are no other comments, then I guess we are ready for a motion to approve the Budget. Would you take a few minutes describing what the approval of the Budget will mean, what the next steps are, and that this is a draft Budget.

Mr. Bettes stated, I will make one comment that I know we are going to go with the distribution as is. I am quite happy to support this summer or this autumn that we revisit the methodology. We adopted this given methodology two years ago because, essentially, it was simply the management cost of the CDD. As it becomes a greater community service, then I think Lighthouse Cove makes a legitimate point on how we share the costs, and I think we should do a workshop, figure it out, and get the community involved but not today.

Mr. Faust responded, I would agree with that in the sense that I think we need to see what the other alternatives are and then spend some time looking at the pros and cons of each one and then make a decision for the next active year.

Mr. Ward stated, the Resolution that you have before you essentially approves your proposed Budget simply for the purpose of setting your public hearing which, as your Chairman indicated, is set for September 2, 2010, at 3:00 here at the River Strand Golf and Country Club. As I have indicated to you before, it does not bind you to any of the costs contained in the Budget as a result of preparation or any of the assessment rates that are in here as a result of the preparation of the Budget. What it does do, however, is set the maximum assessment rates in the general fund that you cannot exceed at your public

hearing. You may go down from those rates and the costs, or move the Budget around within the context of the totals that you have in here, but it does not permit you to go over those numbers at your public hearing. Because of the increase, it also exceeds what we call your cap rate, so in roughly the last week of July/first week of August, all residents will receive individual mailed notice of the proposed rates for the general fund for fiscal year 2011. It will also be included on, what we call, the TRIM notice, the Truth in Millage notice that you receive from Manatee County Property Appraisers office, and that will also indicate the date, time, and location of the public hearing for the District's Budget. With that, unless you have any more questions, the Resolution is in order and recommended for your consideration.

**On MOTION by Ms. Celio and seconded by Mr. Jaudon with all in favor of approving the Resolution 2010-07.**

**FOURTH ORDER OF BUSINESS****Consideration the DRAFT Agreement with Aquaterra, Inc. to provide Irrigation Water Services to the District.**

Mr. Faust stated, at our last meeting we had extensive discussion with a number of recommendations with regard to that agreement, and this is the result of that discussion.

Mr. Ward opened, thank you Mr. Chairman. The agreement that you have before you, obviously is a complete re-write of what you had seen last month, simply because the basic business terms of the agreement itself changed from what was contemplated at a prior meeting and, as Lee had indicated to you during the Budget discussion, essentially what this agreement is doing is limiting the District's involvement in the Aquaterra system to simply those portions of the community where residents live, behind gates, or whatever it is. So, essentially Stoneybrook, Stone Harbour Condos, Lighthouse Cove, Fairway Cove, all of the living units are included in the agreement between the District and Aquaterra Utilities. Conceptually, the only open item that is in this agreement is what is the rate going to be per thousand gallons. So, if the agreement is in a form that is sufficient for the Board to, say we don't want any more changes or make whatever changes you have left to this agreement, we can then essentially ask Aquaterra to review the agreement in the final form that we have here before you today and then ask them to provide us a rate. Again, the whole Budget and this agreement have been prepared based on the concept that Aquaterra will agree to

the terms and conditions of this agreement that we have before you today. The only thing left that I will need to do at some point, prior to its final execution, is obviously put the exhibit list that I referenced on the front page together with Banks Engineering, which will probably take a good 4-8 weeks to get ready to go.

Mr. Faust asked if there are any comments or questions from Board members.

Ms. Celio asked, have we heard anything from Aquaterra in regard to all the notices we have sent them so far?

Mr. Ward commented, I have had a number of conversations obviously with Aquaterra related to this agreement. I do now have copies of all of the agreements that have been executed by whomever signed them on behalf of the Heritage Harbour South CDD. It was still not a member of the Board, and there are 8, 10, or 12 of them, there are some number of them. I have sent them up to Ken's office to prepare, essentially an agreement that gets rid of all of those things and supplants it with this agreement that we have. Other than that, I think that they have essentially indicated that they are simply waiting on something that is in relatively final form to come from the Board, at which time they will take a look at it and provide us with any comments that they may have with respect to it. They have not said yes, they have not said no. They just have said, let's take a look at what the deal is and see if we can put a deal together.

Mr. Faust asked if there are any other comments.

Mr. Bettes stated, I am deeply in support of this contract as written, but there are some hidden things in it that we need to do full disclosure and everybody understand what we are agreeing to. When our CDD was built through our funding mechanism, a lot of the main line irrigation lines were constructed in this half of Heritage Harbour, and we paid for them. They are in the ground. This CDD was the active one that was under construction, so they absorbed the cost of those irrigation lines, and that is just history. In this document, we say to Aquaterra, sell us the water, we want to get the water through two meters, we want a meter for Lighthouse Cove, and we want a meter for Stoneybrook. We will pay for all the water used within those two communities and the public lands within those communities, the street right of way, and all of that stuff we will pay for that water, and you will give us a rate sufficiently cheap that, in return, we will grant you use for the life of this agreement of all of our pipes, irrigation lines, so if they build Moore's Dairy, they are more than welcome to use our pipes, because they will have to use our main distribution pipes that run up

Brookfield Terrace and over to Moore's Dairy. As they replenish their lakes for River Strand with reclaimed water, they are more than welcome to use the pipes we paid for to build those reclaimed water lines. To our benefit, it puts this issue behind us. We can spend years being angry that we paid for something and someone else is using it. So we can come to these meetings for years and complain, or we can reach a price for our irrigation water that we think fairly compensates us for them using our pipes, and we pay them enough money that they can run their pumps and buy the water from the county. So that is a significant issue that we have sort of buried in the fine text of this, but I think it is an important right that we are granting to Aquaterra and the master developer. When we get a good rate, I think it will be a monkey off our back that we no longer have to worry about, and I think it is a much better agreement than we had last month. It is cleaner, and I support it.

Mr. Jaudon commented, I am not having a real problem with this agreement, but I just want to be assured that if I give my vote, that under the standards of service, that this does mean that some of the problems associated with the water with respect to today's quality, that I, along with many other residences in Stoneybrook and Lighthouse Cove, receive as a result of debris, snails, shells, and everything else that should not be in that water, it is not spelled out, but I am assuming that under the standards of service, that it is in here, and I trust that it is in here.

Mr. Ward responded, I hear you loud and clearly, I spent a significant amount of time trying to come up with a standard of service that dealt not only with the issue that you raise, but put all of the regulatory agencies in one big pot, and said there is an amalgamation of laws, rules, regulations that may be in place by a number of different agencies, and Aquaterra agrees to abide by whatever those laws, rules, regulations are, and they are listed here. I do not think I missed anything, but you never know. I think I got everything. I cannot tell you with specificity whether any one of those regulatory bodies have a standard of service dealing with snails in lines or the size of the filter on an irrigation line in every system. I cannot tell you that. I can only tell you that, when I wrote this, I simply tried to raise the standard of service. I tried to put in place a standard of service where they had to comply with all of the regulatory agencies rules, laws, and regulations that may be out there or may be put in place at some point in the future. Hopefully, one of those has standards of service that talks about the filter size of an irrigation line, but I cannot tell you that with specificity.

Mr. Jaudon replied, well, that puts me back at square one again. It is not really satisfying me to the point where I am satisfied with the agreement then. I don't want the problem to continue. I want somebody to do something about it, and that is all I'm asking. That's a very simple thing. Just fix it.

Mr. Ward stated, the option you have is that we could add a specific line to the standard of service that dealt with that issue. I don't know how to write that though, and that I will tell you. I will have to get that from the engineers or someone who can tell me what that needs to be to supply to you, because I can clearly tell you, I would not have a clue how to write that, as I am sure Kenza would not either, but we can do that if that is what you want. I would not suggest removing what is here, but you might, if you want to beef it up for that one particular item, we certainly can try to do that for you.

Mr. Jaudon then commented, well Jim, if I may be the voice of reason, for what is going on out there in the community, the community is concerned about this.

Mr. Ward replied, I clearly, as I said, I got the message loud and clear, I understand that, so generally you find in these agreements, however, that you do not write a standard of service limiting it to just one item, so that is why I sort of tried to raise it up to a standard that was more what regulatory agencies have in place for standards of service for water, sewer, reuse systems across the board, but as I said, I cannot tell you with specificity whether a filter on a line is in a standard of service. I assume it is somewhere, but I do not know for sure. As I said, if that is a specific item that you want addressed, we can come up with some language to put in here that would address the issue for you.

Mr. Jaudon responded, to include those things that I mentioned, but not to exclude these items. I mean, I am just trying to look out for my constituents that are having problems, and they will continue to have problems if something is not done.

Mr. Bettes stated, it is a slippery slope that we need to move away from. I have nothing but respect for your comments. People are very unhappy out there, but the irrigation system is more than a central pumping station where we can argue about what filter size they push stuff into the pipes. Behind the scene, a group of us bridging several organizations have been looking at this, and a lot of our problems it would seem can be solved through flushing the system. Our system was designed, all water systems are designed, to periodically flush them out. When you suck water out of a pond, regardless of the filter that you use, some amount of algae comes with the water and, if you allow that algae to sit

stagnant for long periods of time in a warm pipe, it is going to bloom, it is going to eat reclaimed water that we send down the pipe, and the algae is going to grow.

Mr. Bettles continued, our irrigation system is not a pure linear pipe. They did not lay all of the pipe 24 inches from the surface. It is a pressurized pipe. It was the last pipe laid when they construct a place, so it has to go up and down depending on where storm drains are, so there are low points in our irrigation system and, again, that is a nice breeding ground for snails and algae. We have to begin to take the responsibility to flush our own system. It has never been flushed. Eight years in, and there has never been a comprehensive, on our end, on the Stoneybrook end. I do not know about the Lighthouse Cove, but it has never been flushed. So, it is not to say we should not beat up on Aquaterra that they cannot put too big particles in the water, but we have to understand now that we are going to start being responsible for fixing these problems, and I think we have agreement with Stoneybrook that they are going to put in the 2 flushing valves that will allow us to flush both the north and south end of Stoneybrook under engineer supervision. So, put in more stipulations, but the real rule is, as this housing crisis has decimated the management structures in these communities in the last four years, a lot of stuff has not been done, and we are just going to have to start doing it. Sorry, I'm preaching.

Mr. Jaudon commented, I understand exactly what you are saying Brother Lee. I still have to face all of these folks back here. I saw this gentleman here (pointing to a specific audience member) have to go through some extensive repairs at his home this year with regard to the irrigation. I don't like to brag on my own personal system, but I chose to work on mine myself and saved the dollars, but it is about to wear me out. It is about to wear me out. I mean, I fix it one day and the next 2 or 3 days, I have to go back and redo what I have done. I have no filter on mine, like some of the rest of the folks here, but those filters cost somebody money, and not beating up on you by no means, but I saw what Lennar did over in River Strand. They saw the need to put filters on everybody's home. We did not get that same benefit when we moved into Stoneybrook, and now many people out there like myself who still do not have a filter, that are still paying somebody or doing it themselves to try to keep their systems going, so we don't have dead spots in our grass out there. This grass is growing and growing fast. I can water mine tonight and in the morning, 12:00 or 1:00, it looks like it not been watered. When grass starts folding up, it needs watering again and, if your system is broken down, what are you going to do. You got to drag a hose and do it with

water that you are paying for through Manatee County, I don't think so. So, we just need to be sure that we can face our public when we go out there, that we have done the very best we can, and that is all we try to do. I am not trying to beat up on anybody, but I want to be able to tell my constituents that I sat on this Board, and I gave it all I had and did the very best job I could do. So, if I sound like I am preaching, say amen.

Mr. Faust states, Klaus, do you have a comment on this issue.

Mr. Offermann comments, normally we talk about the snails and the algae. Recently, I have a lot of sand in my filter, and the fine sand with the algae basically clogs the filter after one cycle, and the sand I guess it has to do with where the water intake is. We did not have problems for the first two years. We had no filters, we had no problems for two years. Then all of a sudden it started, and whatever contract you write, there should be some provision that we can talk to Aquaterra later, if the quality of the water is below certain standards. Right now, it is not satisfactory. You cannot go away and just leave your system for two weeks unattended, it is impossible. So something has to be said in the contract of quality and that we can come back to Aquaterra later. So we should not be told okay this is not in the contract and it is none of your business anymore. What I heard repeatedly, we do this, and this, and this, and the result is not satisfactory. If the flushing helps, that is fine, but it cannot be done on a daily basis. We can flush it from time to time, but if we get that much sand, I do not know what (unintelligible). Okay, that was just my comment.

Mr. Faust thanked Mr. Offermann.

Mr. Ramsey stated, I agree with Mr. Jaudon is saying, and I also agree with what Mr. Bettes is saying. I think you can stipulate in there certain – the filters that are on the pumps right now are fine if they're maintained. Your sedimentation problem is what is causing your sand intake. That is what is supplementing that issue, then the filter is bypassed. But, a minimum of maintenance in the subdivision may have to do their own – You know, we have no flush points in our; just a two-point system. So that I'd have to try and figure out, but if we have a flush out system, that would have to be done by the subdivisions or either done by the CDD, so we know it is done I guess. Basically because it affects everybody. If it is not done on one, it will affect everybody. You can stipulate that.

Mr. Bettes asked, Can I ask you a question? Are you all having any problems at Lighthouse Cove?

Mr. Ramsey replied, oh horrible. Unfortunately, I put my name on our newsletter to go help homeowners set up their irrigation system, many of them don't know how to do it, little minor problems because they are trying to do a best yard in the neighborhood type thing. Boy that was a huge mistake because Truescapes has been very helpful. We do call them and they (unintelligible). Basically they have to cycle it to flush out the snails or whatever is clogged up the sylonoid valves.

Mr. Ramsey continued, so, yes, we have had I don't know how many really, I cannot say. What is happening is they (unintelligible) line, and then the homeowner does not know what to do. And 99 out of most homeowners do not have the ability to go out and change filters like Joe does. I do the same thing with mine. Most homeowners don't. They don't want to mess with it, and they should not have to really. So, I think you can stipulate a minimum water quality supply. Use Manatee County's reclaimed water quality as a standard. You have no avenue of relief if it does not get maintained, like don't pay the bill or withhold \$5,000, have it fixed or something. Something to give you an avenue without having to go to court. Because Aquaterra is a shell corporation, it is a cash flow. So they are not doing a really good job of maintaining the equipment out there, so it is going to be all in disrepair and you may have more problems.

Mr. Ramsey added, so I think you can stipulate some dredging around the intakes on an annual basis, flushing on a manual basis, the engineer should be able to tell us what size the filter screen size is on the pumps that they have right now, and it does need to be maintained and cleaned out. Normally you have to take those things and clean them out, they will tell you that if you have one put in by the pump manufacturer, they will tell you to maintain them normally 2-4 times per year, depending on what they are. That will come with the instructions, the manual that you read. So, that process has to be done. Since it's owned by Aquaterra, they have to do that. So, I think you could have some kind of stipulation of maintenance it will go a long way in helping what we have. It is not going to fix it. Lee is right, everybody is facing problems with money. We don't have the money to put in valves, we don't have the money to pay more bills. We are struggling as it is, like everybody, but it is becoming a very big problem, and every owner has to put in filters. It is about \$300-\$400 to put in a filter. Where they are putting them in is ugly as heck, because, the way they are laid out, it is not a nice place to put them, etc, etc. I think you can stipulate Manatee County's reclaimed water as a minimum, and have some avenue to recovery, and a maintenance

schedule, as a minimum requirement. Then we can (unintelligible) the homeowners and the CDD does the flush out. I would rather them be done by the CDD myself, under an engineer's supervision, but that is my opinion.

Mr. Faust inquired, Mr. Ward is it possible to move ahead on this since we are in draft form and pursue this issue that the Board has raised and the public has addressed as well.

Mr. Ward responded, I think the answer is yes, that is exactly what you can do that, but I do want to go back and just address the issue again. The standard of service in here is pretty high. Aquaterra shall comply with all the existent applicable standards and practices of the Florida Department of Environmental Regulation, Florida Department of Health and Rehabilitative Services, any applicable Manatee County ordinances or standards for reuse water service, the United States Environmental Protection Agency, the Southwest Florida Water Management District, and then all other governmental bodies having regulatory jurisdiction over such service, and all applicable federal, state, and local laws, rules, and regulations in connection with such matters, including ,but not limited to, standards for water pressure and quality of service. So, I do not want anybody to think the standard is low, it's not. It is high. This gets everything that I could possibly think of to put in here that needs to be done.

Mr. Ward continued, Lee brought up a good point, I think Joe raised it, one of the things that you just changed in your Budget, is the responsibility for maintaining the line distribution system. That now falls to the CDD in this Budget, so that means that all of the line flushing program, and there is a \$10,000 line item in here for next year for handling the line flushing program plus a \$10,000 restoration item in there to do some valve replacement, etc., throughout the community for the next year or so. The standard in here, I think, is significantly higher than apparently where everybody thinks it is or it actually is in today's world. I cannot tell you whether you get to exactly where Joe wants to be, but I do think this agreement probably gets you significantly higher quality of service than what you are probably experiencing right now. As I thought about this a little bit, I do know and I know for example in the master HOA Budget that line flushing program is actually handled by the guys who do the lawns, the lawn maintenance people. That is probably, if we do this in the CDD, we are going to have qualified general contractors actually handle that. So, is it going to cost more, absolutely, but will you hopefully get a better line flushing program than having someone who mows your lawn do the line flushing program in the line distribution system.

Normally, in a public utility system, you do not have that level of an individual working to clean the line distribution system. You have qualified public utility individuals that clean your line distribution system, and that is what we have contemplated for fiscal year 2011 in this Budget. As I indicated, it is not going to happen on October 1, 2010. This program does not go into effect until January 2011, so you are not going to see results until March, April, May, June of a year from now before we see the full benefit of the programs that you are going to talk about implementing in September in your Budget, but I do not want Joe to sit here and think, me shaking my head yes, means that the problem is going to go away. I cannot tell you that, but I can tell you the standard we have here is significantly higher than what it currently is in the community and how the line flushing program, since we had mentioned that at the last meeting, was going to be handled for the next fiscal year.

Mr. Faust stated, I think you have everything in the constellations in terms of regulations to apply to, but I think it would be helpful to us, and we would be a lot more comfortable, if we knew that at least one of these references that you have here had some criteria in there that are applicable to the situation we are talking about, and if that is the case then would hopefully be in condition that the requirements written in here, based on that requirement of that particular organization, and it is a matter of whether we fulfill the proper maintenance and testing and everything else that needs to happen.

Mr. Ward added, and I think we can actually probably have Shane or someone take a look at that issue to find out what the some of the standards are.

Mr. Faust stated, that could solve our problem – then I think maybe we could have a level of comfort for not only the Board but the residents that there is some hope that this problem is going to be corrected, because at least at this point, it is only getting worse and not better.

Mr. Van Assenderp stated, thank you Mr. Chairman and members, and Jim, I heard the conversation as well. I have a specific set of ideas that I think can be attributed to the contact that I'll run through Jim, and whoever Jim wants to use as well as the engineer, and I think we can take care of it. I can go through it now or just give it to Jim later, but I think I can handle it.

*Discussion ensued whether to go through it now, some did not, others did.*

Mr. Faust stated, I would rather get it resolved so that when we are negotiating the final contract with Aquaterra, everything is wrapped up and we get it done right.

Mr. Faust continued, Kenza, do you want to go ahead, at least summarizing, and give us some idea of what you have in mind?

Mr. Van Assenderp responded, first, there is a reason for what we call recitals, and I have included in this document that all the recitals will be treated as respondents. What that means is, that it will be binding on the parties, anything included in these recitals. One of the things that we already in the recitals, is item H, a. and b., addresses certain assurances, and so there is a simple non-onerous on Aquaterra fair way just to add 2, 3 or 4 of the items that you are mentioning with regard to the quality so that the water would not contain certain obstructions. That is easily put in there and recital's already binding. Then, you go to the 2.4 language on standards of service on page three, line five, after management District and before the term "all other governmental bodies" you just say, this District, as set forth in the recitals standard. Then, the third thing you can do, if you wish and Jim to be of a mind to recommend this, and I am just discussing, I am not recommending it yet, but a sort of a monitoring/reporting mechanism so that if, inadvertently – because Aquaterra is a fine company and you're a fine District, but inadvertently if some of the obstructing materials get in there, they can be reported and monitored and immediately dealt with. So, those would only be the three things: Beef up recitals in a fair simple way, add the District to the standards of service, and set up a simple quality monitoring mechanism.

Mr. Ward responded, I think the issue we are going to have with the monitoring is, conceptually, in the past, you have either had Aquaterra or the master, or whichever association is actually doing the line flushing program, which is where all this material is. So, the key is whether we get clean water from the source coming out of the Aquaterra system but, once it goes past that, it is now this District's responsibility to deal with algae in the lines, snails in the lines, sand in the lines, whatever other debris is in that line distribution system, is not Aquaterra's responsibility under this agreement or under the Budget that you all are contemplating. That is your responsibility from that point forward.

Mr. Bettis asked, may I suggest a standard? Did you have a standard you wanted to propose?

Mr. Jaudon replied, I think I have talked about my concerns. I do not have a written standard I was maybe thinking about, but I wanted to at least lay my thoughts on this table.

Mr. Van Assenderp stated, it was your thoughts that I was talking about, putting in the recitals and then having to turn District into standards, regardless of whether you have a monitoring system or not.

Mr. Faust commented, it is my understanding, and the engineers and, people more knowledgeable than I can correct me, in the Aquaterra system, the water is pulled up from the lake and is run through 5 micron filters.

Some general comments were made at this point.

Mr. Faust stated, 75 micron filters.

Mr. Bill Riley stated, Three-hundredths of an inch.

Mr. Bettles continued, so if there system is working correctly. If the filters are in place, they are prepared that anything smaller than three hundred microns –

Mr. Bill Riley stated, Three-hundredths of an inch is what it works out to be, 75 microns is three-hundredths of an inch.

Mr. Bettles replied, I'll say 75 microns, it sounds impressive. Their standard is, they are going to pump to us everything that will flow through a 75 micron filter. Snails do not flow through 75 micron filters, but snail eggs can. So, we have to turn the water over enough to make sure that egg does not go through its life cycle and become the size of a small pea or a BB before it gets to our –. I think that is all we can really hold Aquaterra responsible for, is their filters have to be in place and working.

Mr. Van Assenderp commented, and that language you put in, and then you add District to the standards, and that is it.

Mr. Jaudon added, are there other filters out there in the market place, and this probably is for an engineer to answer, but are there not other filters out there in the market place that may help eliminate some of the problems that we are talking about, such as ultraviolet light or other such things. I mean, you know, mechanical filter may not be the only thing out there, there may be something else. I just suppose, and I know, that if I buy a product from you that I want the product to be usable when I use it. So, now I think what we are saying is, we are getting a good product, but it sitting in the lines and we are not flushing them, and now have a bad product. Why are we taking that liability? We really have to know, that the product we are getting is a good product.

Mr. Faust stated, and I am not sure we know that the product we are getting is at the level that we can reasonably expect. So I'd hate to say that is the level we expect when we

are having all of these problems. Is there a better filter, or is there something other than a filter, something so that we do not have this recurring problem, even if we are flushing the systems appropriately with the most qualified people.

Mr. Jaudon responded, so, in turn, if we start flushing the system, and we still have the problem, then what?

Mr. Cooper stated, just keep in mind, if you develop a technical criteria to test that water, you are going to be taking the samples at the point of delivery, which is going to be right at the pump station. So, the sample that you get at the far end of your line, could reveal a different result than the sample right at the point of delivery into the main system.

Mr. Faust stated, I think that is what Jim was trying to warn us about. We are going to get, let's say, a certain level of quality of water through the pumping station, once it exits that, then it is the CDD's problem.

Ms. Celio asked, I have one question for our engineer. Would it be helpful for residents, in addition to irrigating twice a week, would it be helpful to turn it on for like 5 minutes at a time at one cycle to flush?

Mr. Cooper responded, I am going to have to defer to answer that question, as I am not an expert at irrigation delivery.

Ms. Celio added, I just thought maybe since these little peas are in the line.

Mr. Bettest commented, when they are talking about flushing, they are talking about opening up the 6-inch line, which is going to flow ultimately 1 million gallons of water.

Ms. Celio continued, but I am thinking if those little things are in our line at our house, and if you run it one time in between the twice a week, just for 5-minute cycle, just to clean it out, I don't know if that would do any good.

Mr. Jaudon responded, from my experience, it is not going to help because you have shells there that will not pass through the sprinkler heads. Where the largest problems comes in most homeowner systems there, and you could probably help me with this as you work on them, where the systems do not shut off is that the shells coming in, what is it half-inch line or inch lines?

(Unintelligible)

Mr. Jaudon continued, they get in those filters that go up and down to shut the water off to the different zones, and if the shells themselves get under that valve, they will not allow the valve to shut. You could run it all day long. I tried running it all day, it is not going to

get them out of there. You have to dismantle those valves and many homeowners cannot do this, they cannot do this. I can do it with a lot of patience, and blow it out that way. I have tools made out of coat hangers and all kinds of things. My wife bought me a turkey basting thing to suck the water out of the lines, just all kinds of little gimmicks that I use to try to help myself, but flushing by running it is not going to help the problem.

Mrs. Aulenbach asked, I have a question, if the engineer says there is a place you can sample the water at the source, is this part of the contract then, as we are saying they have to comply with all these County rules and states rules and all, is their action going to be process required for periodic sampling, so we can say that they are complying. If, by the time it gets in our system, we have it mucked up with the shells and the algae, lets put in the contract for periodic monitoring right at the source.

Mr. Ward responded, the agreement provides that Aquaterra meet the standards of service that are set forth in the article that Ken referenced. We do not independently sample it, we don't test it, we don't monitor it. We are not the regulatory authority over Aquaterra, we just tell them we are simply buying water to meet the standards of services permitted in the agreement, and we have no obligations to test it, and we do not ask them to provide us any reporting for that. All of that would be subject to whatever the regulatory authority is that they have, either the local, state, and federal levels.

Ms. Aulenbach continued, but how do we know that we are getting what we are asking for. It just seems strange to me that you have all those protections built in, but how is it ever verified for us that we are getting good quality water at the source.

Mr. Ward clarified, the protection is that you have an agreement that provides that Aquaterra meets the standards set forth in the agreement. It also provides that, as Ken referenced to you earlier, that the ability to meet those standards is an extremely important element of the agreement, and the Board has the right to terminate the agreement if it does not meet the standards of service that are contained in the agreement itself. I would not recommend to you that we put provisions in an agreement where we start monitoring Aquaterra's water coming into our system. That is just unusual in this type of an agreement where you are buying water from another governmental agency or a private company. If we took, for example, let's take Aquaterra out of the mix for a minute. Let's just say we bought potable drinking water from Manatee County and we had it metered that it should come into the community. The agreement would normally provide a standard of service like you have

written in this agreement, but the CDD would not monitor the water coming in, we would not test it, and no County would certainly start telling you – I mean you can get their test results because they are a public agency, but they are not going to test the water differently than what the standards are for them to test it under all of the local state and federal regulations that they must comply with. We are not treating Aquaterra differently than we would treat Manatee County or any other utility company in the provision of water service or stored service or reused water service, to a community such as Heritage Harbour.

Ms. Aulenbach asked, then does Aquaterra have to test it and give us the results. I just cannot understand how we can say we can terminate it if they don't meet the standards, but who determines if they are meeting the standards?

Mr. Ward responded, again, the standards are that they have to comply with the standards related to the regulatory authorities that oversee them for providing reuse water service to this community. And they have to report to them if we think there is a deficiency, I think, in the standard of service that they are providing, I don't think the agreement precludes us from going out and doing independent testing of the water that is coming in to find out if it meets the standards that we have written in here. There is just not an obligation for us to do that, and there is no obligation for Aquaterra to provide that to us. It is written in such a way that if we feel that standard is not met, we have an affirmative duty to figure out why, and then notify Aquaterra of that, and that they are in breach of the contract, and they have remedies under the contract to correct it, and we have remedies to get rid of the agreement. We don't have provisions written in here for testing the water or becoming essentially a local, state, or federal agency to say that they are providing reuse water that meets these standards. I can tell you, we could not do that if we tried.

Mr. Faust then stated, so if we had suspicion that the water was not of adequate quality, then we would go back to one of these organizations and ask them to verify if they are meeting quality standards established by that particular agency.

Mr. Ward continued, and if they have a standard, what is it, and how does Aquaterra provide affirmative knowledge of that, and that we can bench this contract against that standard and make a determination of whether or not they meet it or they don't meet it.

Mr. Cooper asked, can I speak up on this subject. When you are talking about comparing to these standards, the product that you are getting is not the same product that is being delivered in the reuse system. The standards for reclaimed water are very high

standards, and they have to meet EPA guidelines for chemical analysis at the treatment plant before it is sent from the treatment plant. Once that level of water is put into an open lake, lake water is not an equivalent to reclaimed standards at all. So, if you are talking about the reclaimed water standards that we might be able to fall back on, you are not comparing apples to apples. A totally different product once it is mixed with lake water.

Mr. Faust responded, good clarification. Thank you. Let's take Klaus first and then we will catch you.

Mr. Offermann asked, I guess that the EPA or even Manatee County does not have standards how much sand is (unintelligible) in the water. One of the problems we have right now is the sand plus the algae acts like a kind of cement, so we have to check this somehow and, if it is that there should be no sand in the system. So, somehow, we have to sample it somewhere at the source and not at the end. If there is sand or something like this, I think the intake – we have to look at whatever equipment is there.

Mr. Riley stated, If I might, the black pasty stuff you get on the screens is called biological paste; just small pieces of algae and things that go through the filter that clump together ...

Mr. Offermann responded, I clean my filter with Clorox, and what is left is pure white sand. It is grainy. It's sand. I can put it down, I can weight it for you, let me say 2 cycles, and it shouldn't be there.

Mr. Riley commented, that is why the flushing is so important to move the snail shells, the sand, any sediment, the algae, anything that settles in there. Always the problems are in the dry season. As things sit over the rainy season, water is not used much, lake and (unintelligible) water quality. As the dry season begins they turn their water on, a lot of sediment comes up off the bottom, anything that is in the line all starts coming down everybody's filters, everybody's heads, the shells. You know, you want chlorination to kill the snails, then you have the shell getting sucked up into the valves that he is talking about. That is why it is very important to get that stuff moving, we have to flush out the lines and get it out of there at a frequency consistently under a management program.

Mr. Aulenbach commented, what I am hearing from Shane is that although Jim says that these standards are high standards, they don't mean anything. Is that what you are saying ?.

Mr. Cooper responded, I have to go back and look through all the standards that SWFWMD might have in place for maybe open lake irrigation standards. I am not familiar with all that, so I do need to do a little research before I can answer these questions.

Mr. Aulenbach stated, so maybe we should rewrite the standards, those regulations to apply to lake water instead of reclaimed water.

Mr. Cooper stated, definitely, I think a lot of these standards that might be blanketed in this clause exceed what they could possibly meet.

Mr. Riley added, the most relevant standard, I am trying to become objective here because I do work constantly with Tony with Aquaterra, and I do work for a lot of homeowners in here. Florida Irrigation Society would have standards, which is the trade organizations. University of Florida has a lot of programs for maintaining the different, you know, they have standards criteria in there from the universities here for these types of things already developed (inaudible) were relevant for what you have, and what conditions are in Florida typically.

Mr. Ramsey commented, I was going to kind of get to the same point that Gene brought up and this other gentleman brought up. The key to all this is the main line flushing outward. You know, if you take five years ago, I don't think anybody had any problems with the sprinklers. Many of the standards that are quoted in that contract are background standards. They are effluent, it is discharge. You (unintelligible) discharge exceed the standard or if it is delivered potable water. The minute you break that line into the open atmosphere, everything goes away. They have no (unintelligible) at all. So, they are really not going to do us a whole lot of good. Then what are we going to do, cancel the contract? With whom? And what are we going to do? Run a hose line down to Manatee River. We have no avenue of getting other water. You have waters delivered, reclaimed water going to the lake. I think you just simplify the matter really, quite frankly, is because regulatory agencies take it at point of discharge, like I said with at the chemical plan or whatever. If you have potable water delivered to your house, it's at the point of their meter that they have you (unintelligible).

Mr. Ramsey continued, we make sure that they maintain these pumps and these filters. You have to have dredging of these intakes, that is the problem. You have to have them cleaned out a little bit and Banks Engineering is correct, you know, the irrigation society, is to give you certain criteria to go with, but all these EPA standards, they all conflict,

none of them match. Have to deal with too many of them. I ran into a huge problem years ago, where I took water from a fire hydrant and I could not discharge it into a lake, because it was 2 nanograms of copper difference. That is where it ran to. We have no avenue of relief. So, that is why I am thinking stipulation of maintenance, certain financial standard that we should be able to recover and go have the work done. Then, you are going to have to maintain not just our lines at Stoneybrook, you have to maintain these main lines. If snails get going over here, we wash our outlines and they are fine, until you get a dead leg, then somebody opens it up over here and there is the snails moving in the other line. So, it is quite complex flushing process that you are going to have to go through for the whole system to make sure it gets all these dead legs and dips and all this other stuff.

Mr. Faust commented, we have had a lot of good input on this. Let's see if we can get a final few comments and decide where we can go with this issue or bring additional information back and we need to do that, and then follow that up with the other points within the agreement that we need to address.

Mr. Ward added, I do want to make a couple of comments. First of all, I am going to disagree with my learned engineer. This agreement contemplates groundwater and surface water run-off in the definition of reuse water and, in that definition, includes the standards of service that are outlined by the regulatory agencies. So, under this agreement Aquaterra has the responsibility of providing water to you at the point of delivery that meets the reuse water standard. Now for some reason Shane thinks this agreement does not do that, I didn't write it that way. It does do that.

Mr. Ward continued, secondly, I think, and I think Bill said it eloquently, as many of you all did, the flushing of the system will solve probably 90%+ of the problem that you are all having out here. Sand in the line is not caused from coming through a filter, it is because there is a break in the line, and it wasn't flushed correctly. That is pretty standard practice in this business. The algae is caused not because of it coming through the filter but because it is becoming algae in the line distribution system that we will have the responsibility of maintaining. So, I think you are going to see a significant improvement in what you will get with a good line flushing program system, which includes the main line distribution system plus everything past the point of delivery, which is essentially at the Aquaterra pump stations. So, if we want to add more standards to this, then we can do that kind of thing, but I think the standard as it is written, does require Aquaterra to provide reuse water, including

ground water and surface water run-off at the standard for reuse water that is defined in this agreement.

Mr. Aulenbach comments, I have one other comment. When they were talking about putting meters at the locations to meter the amount of water that goes in. I am concerned about if and when they do build the Moore's Dairy Farm, they are coming through out pipes, and it is going through our meter, so how do we compensate for the amount of water that they use to the amount of water that we are using. I think another meter needs to be installed there, and I think we should put in the contract who is responsible for paying for that meter.

Mr. Bettes clarified, we have stipulated in the contract that any additional metering required from their use of our system is their responsibility.

Mr. Faust added, and the dairy farm would be CDD East, so there would be a different entity, and we would need to have some record of any water flowing through there.

Mr. Bettes continued, but that is expressly addressed.

Mr. Tropp stated, I am listening to this and I could go back to the old saying the computer is "garbage in, garbage out." If the quality of the water is not to a certain thing, he is saying 75 microns, that still may not be fine enough to guarantee, even with all the flushing. Because, if you flush, what are you flushing with? The same water that I was sending in there. That means that you have to get the quality and not get the algae bloom in the sediment, you are going to have to have constant flushing. We will use more water than that you are using to irrigate, and that is going to cost us. Who is paying for that water to do all this flushing. When you flushed out the line, what are you putting back in? The same quality. It sits there and it blooms. You get the sediments that will sit there, and eventually it is going to go into the dead-end parts up to everyone's house irrigation. So we are still going to have a problem overall at the end user of the sediment of the algae. So, unless we are somehow able to get the quality for what we need for the irrigation system, which the irrigation people, the (unintelligible) people, the sprinkler system, they must have some sort of quality and up the microns you need to do it. We are just going to go around robin. We will be flushing, and flushing, and flushing. It is going to improve it, but not to where we are going to resolve the problems that everyone is having.

Mr. Faust asked, anyone else on this water quality issue? Alright. Are there other questions with regard to this agreement that we need to address or cover? Mr. Ward, do you

have a suggestion as to where we go from here. I guess one way to do it, would be to approve the agreement, contingent upon some language being developed to address this issue or a clarification of what the standards are from one or more of these organizations, and then that comes back but would allow you to proceed with further development with Aquaterra.

Mr. Ward responded, yes, that is one option. You could also approve the agreement in the form that you have; approve it so I could transmit it in the form that you have here without any additional standards of service that we may have, and we can just simply clarify that there is a standard of service for these filters. But, as I said, I think you are going to still find that the flushing program will significantly help with the issue. We will just have to find out if that is included in one of these standards. We can make a couple of the improvements that Ken suggested. I think those are good ideas, with the exception of the monitoring issue. We can include those couple of items in here, with the exception of the monitoring issue, and we can see what Aquaterra says. At the end of the day, you have to have two parties to agree to this, and we are not going to get to the part of finding out the answer to Aquaterra unless we put something on the table with them that is relatively in final form. The standards of service will be a big issue. So, if you want to make changes to that, I am really thinking it has to come back to you one more time until you are happy with it. So those are your couple of options at this point.

Mr. Faust asked, what is the will of the Board as far as proceeding at this point?

Mr. Jaudon stated, I really just hate to continue to prolong this thing. I think we have talked about it enough, and we know what should be in here, whether it's in here or not. I have not heard from one constituent that said they support this agreement. Not one of them has said that. All of them said they have got problems, and they have problems agreeing with this, and we represent those folks. You know, it puts us in a catch 22 situation. Also, the line here, 3.1, is left blank. Is that going to be...

Mr. Ward replied, we cannot fill in the number. That has to come from Aquaterra.

Mr. Bettes disagreed, no we don't.

Mr. Ward rephrased, you could fill in -- Let me rephrase that. You can fill in whatever number you want and approve an agreement. You can do whatever you want to disagree but, as I said, at the end of the day it takes two to tango. So, if you approve the agreement, put a number in there, and I send it to them, and if they don't accept it and make changes to

it. It is still is coming back to you next month or the month after, whenever they finish that. I'm sort of at a loss of what to tell you to do, because I am not sure I know what to do with it at this point. If you have some desire on a large scale basis to have the irrigation services within this community provided through the CDD, I think as I read through this, it is in pretty darn good shape. It's not a bad agreement. You have to fill in the rate. I am probably a lot less concerned about the standards of service issue knowing that we now have the line distribution system and a flushing program to go along with it that what I am hearing out here. Because, I think that is the largest part of the problem that you are really having in the community, is the flushing program.

Ms. Celio stated, and the maintenance.

Mr. Ward continued, and I think a standard of service issue would be more important if the line flushing program was on the other side of the coin, because there really is no standard for that in this business. But, when we are doing it, we can set our own standard of service.

Mr. Bettes stated, now, what I hear from the constituents is they are unhappy with the irrigation system. They don't know what is in the pipes. They haven't met with the engineers. They haven't looked at the reports. They don't have access to the technical people we have access to. So, we sort of have to draw a line in the sand and say this is how we think it is going to be fixed. We can propose additional standards. There are better filters for Aquaterra. We do that at our own peril because it is a business agreement and, if we want to impose cost on someone else, then frankly I think we are beginning to become silly because they are going to tell us no, until we have tried these other solutions. So, our District Manager has argued that he believes there are sufficient standards in it. I have not heard anyone propose a standard to put in the agreement, so I am going to support this the way it is and be happy that we have basically said every standard we can find for reuse water, applies to this agreement.

Mr. Jaudon commented, Mr. Chairman, with all due respect to my learned colleague, we already suffered with whatever agreement we had in place up until today's date. Correct? I just think that cool heads can prevail, or better thoughts may come, if we are in a position to table this matter.

Mr. Bettes states, we have been at this for 4 or 5 months. We should have had ... if you want to propose a standard to insert in the contract, it could have been done in January.

We can postpone another month, but next month is July 4<sup>th</sup>, so are we going to meet, are we going to postpone the meeting. You will never find a standard that the constituents are going to say, we are now happy with the irrigation system because it is 12 microns, it has a blue light, and runs every Thursday.

Mr. Ward stated, and they change over time.

Mr. Jaudon continued, I just want to be absolutely sure when I raise my hand, either way, that I have done the very best I can, and we as a Board have done the very best that we can, to make sure that we have addressed every issue that concerns us, that is a real concern to us. I wouldn't be having this conversation had there not been concerns out there. For me to stick my head in the sand and act like there are no concerns, there are plenty out there. Whether or not we have come to this table with a written paragraph to insert in here, is really sort of immaterial. I would suppose, and that is why I asked the question in the very beginning, and that is what started all of the conversation, and we have found through investigation, that it probably is not in here under the Section 2.4. For us to hurriedly write something and insert in here without our attorneys and without our managers consent, I think we are not using good judgment. This is why I was maybe going to suggest that we just postpone this thing for 30 more days and let these things come about, so that when we present this to Aquaterra, it is written in such language where they can put their embrace on it as well as we can. I want a good agreement, and I believe that Aquaterra wants a good agreement. They don't want to continue to hear these problems, continue to go down this road. They don't want that. They have other things to do.

Mr. Faust stated, I guess from my perspective, we started addressing the issue of Aquaterra, there has been a number of issues. One is the language and the validity of the existing contract is there, whether it has merit or doesn't have merit. So, there are language issues. This is attempting to resolve that. The second issue that we have had is the irrigation problems that are not being resolved so far. It seems logical that flushing the system is going to help. We don't know that for sure. I haven't heard anything around the table, but you are talking about 75 microns, I would be interested in experts opinion on how low can you go and what is the cost benefit of doing that, and what are the alternatives. Then the third thing, which has been a big part of discussion for 2 or 3 years in the community, is the cost of the water. In my mind, if there is any reason for us to postpone the approval of this, it would have to be a way to bring the experts in to address those issues, so that we have

enough information. I cannot tell you whether 75 microns is the right number, or 5, or 200. I don't know what the right number is, and I don't think that I ought to be judging that unless I have some experts saying, "These are your problems, this is the solution, and this is what you need to do to implement that solution." So those are the three issues. As Lee said, I am not hearing other issues coming up with regard to the contact, either here or anywhere else in the community. So, the question becomes, do we go ahead today, do we come back at our next meeting, be it July or August, and fill in some of those gaps with regard to this particular issue on the quality of the water, or do we approve it today.

Mr. Ward stated, the difficult part is the timing of all of this, and you have to be very careful with that. In September we are set to adopt a Budget that has \$175,000 in it for water costs and, if you don't reach agreement with Aquaterra between now and September, and even if you do it and don't do it October, November, or December, you now have residents who are going to pay you \$175,000, plus you still have these old agreements in place where you are paying through your master and your sub associations. So, your residents are going to get double charged essentially for this water service. So, you have a critical timing issue here to deal with and, as Lee suggested, we are not even getting any feedback from Aquaterra because we cannot get anything on the table with them that we agreed to so far, and that is a real problem, especially in June.

Mr. Faust responded, so that raises the question as to whether, even if we approve this today, that we would have an agreement together in time so that Stoneybrook, Lighthouse Cove, and the Master Association, would be able to put a Budget together.

Mr. Ward continued, they're the least of the problems, were the biggest issue because we have to do this public hearing in September. There is no way to get around that date. I am going to tell you, I don't like you to be caught in the position of having that money in your Budget and no Aquaterra agreement, leave it in there, and no agreement going into the fall. That is going to be the worst case scenario that we have to deal with. So, we have to get something on the table with Aquaterra. I don't think it can wait another month or two months. If this standard of service issue is that big of an issue with you, I think we need to know what are the standards of services that you want to put in here. Clearly, I have written in here something that I think is pretty darn tight. I am hearing opinions that it is not. I cannot give 100% assurances that it is going to be exactly where you need it to be or want it to be, but I think where it is now, plus with the flushing program, then we are all making a

big assumption that Aquaterra will agree to everything in this agreement. We have a lot of cards on the table that are being played at the moment that it is a pretty weak house that can fall at any moment depending upon who says no to what. I agree with Chuck, we can get a professional in here to tell us all of this, what the standards need to be, and we can debate that probably for months. But, is it going to get this agreement done in time? It is not. From a timing perspective, I can tell you we should pull it out of the Budget, continue the negotiation, and deal with it in 2012. If you are shooting for a 01/01/2011 date, we don't have any time left at this point. We have to get this agreement done within the next month or two.

Mr. Jaudon commented, okay, I understand what you are saying. As this agreement is today, this is only a unilateral agreement.

Mr. Ward stated, between two parties, Aquaterra and the District, correct.

Mr. Jaudon continued, So this is a unilateral agreement that we are passing to somebody to try to get a bilateral agreement. Right?

Mr. Ward replied, exactly.

Mr. Jaudon stated, so at any point, either of the parties can add, subtract, multiply, or divide to a proposal, right?

Mr. Ward agrees.

Mr. Jaudon replied, okay.

Mr. Faust clarified, so this is the proposed agreement South CDD to Aquaterra. Then Aquaterra then, would be expected to come back and say, yes –

Mr. Jaudon stated, or maybe add or subtract. Okay 3.1: Can we come to some kind of agreement on it?

Mr. Bettes answered, yes.

Mr. Ward answered, yes, you can do whatever you want with 3.1.

Mr. Bettes stated, I have been working the numbers, and we have a lot of information furnished at the last meeting, which was not terribly helpful, and we don't have access to Aquaterra's books, so we cannot do a full thing. Under County rules, for Heritage Harbour, the reuse water is supposed to be our primary source of water. They are under an agreement with the County that, before they can pull water out of the ground, they need to fully use all the reclaimed water the County has. During the recent hot spell we had, there

was not much reclaimed water. If you go out the lake and look at the flow out of the purple pipes, it was not very strong. They pay 10 cents per thousand cubic feet?

Mr. Ward stated, it's per thousand gallons.

Mr. Bettes continued, per thousand gallons for the water. So their base price, not counting anything else, is 10 cents per thousand gallons. If they were selling it for less than that, they would lose. Now, their greatest expense may not be the water. It is the electricity to spin their pumps. At any one time, like right now, they probably have 3-5, 50-70 horsepower electric motors spinning away, putting our system, which is a huge system, under 80 pounds of pressure. So, they have a huge electric component that they pay for, which is probably equivalent to the cost of their water. So, that is another 10 cents they pay just for electricity.

Mr. Bettes stated, these pumps, and they have given me a behind the scenes look, if you have 50 pound electric motors spinning 24 hours a day pushing water, things break. These pumps live a horrible life. So, there is sort of this constant –when I met with them, they were saying, Oh, this was \$8,000, and this broke and it was \$12,000. It's a never-ending stream. I figure that is another 5 cents per thousand gallons. So, for them to just cover their direct expenses is 25 cents per thousand gallons. Now, I don't care about them recovering any capital costs, because we all made contributions to help pay for the whole thing. So, through out community, there was over \$1.5 million that we all contributed. But we have to make sure Aquaterra gets that 25 cents per thousand gallons, otherwise, it's a business and in three years, they wouldn't be here. They are not going to sell to us at below cost. In our last Board package, not this one, but the one previous, we had an e-mail from Tony, where he said the golf course pays, in one month or one period of time they looked at, the golf course pays 42 cents per thousand gallons for their water under their existing agreement. For the month that he looked at on Stoneybrook, Stoneybrook was paying 33 cents per thousand gallons. I think we should go to them with an offer that we are prepared to pay 25 cents per thousand gallons but, if we could get it at 29 cents per thousand gallons, I think we should be satisfied. But, when you go negotiate with them, don't tell them the 29 cents, but tell them the 25.

Mr. Bettes continued, but that to me seems like a reasonable number that allows them to fully recoup their operating costs and, as I said at the beginning of the meeting, allows them to use our pipes in transit for all the rest of the community. So we are going to

give them somewhat skinny pricing, but that is compensating us for our pipes. So, go out and get us 25 cents. Settle for 29.

Mr. Jaudon asked, why not offer them 19 cents?

Mr. Bettes replied, offer them 2, I mean, but –

Mr. Jaudon commented, we are giving them these other things, taking that into consideration, we ought to get our water for cost, or less.

Mr. Bettes responded, cost is 25 cents.

Mr. Ramsey stated, the two issues right are here mainly of cost and quality of water. I think everything else in the contract seems pretty good. Lee's done a lot of work, and I know Gene has too. Can you approve going forward in those two areas? It's just negotiating anyway, those two areas visited. The higher the quality of the water, obviously the higher the cost to operate these pipes for Aquaterra. Lee is right, especially with an open-ended pump on the lake, there is much higher maintenance than the closed water system that the City has to deal with. So, I think if you gave Jim the ability to balance one or the other going forward, because I think it would be in the best interest to the community to get the contract in place, and get it going. But one is going to offset the other in contract negotiations, and we shouldn't have to pay for the flushing unless we charge them to use our sewers.

Mr. Faust added, and I guess my assumption when I first saw the document under 3.1 is not a footnote there, but there could be "to be negotiated" and that could be worked out. My assumption is we are going to start work with them, and finally get to a number that we are going to agree to or not agree to.

Mr. Bettes stated, I will just to a footnote on the flushing. If you look at all the pipes everywhere in the CDD, all the significant pipes, 2 inches and above, including the area in the Master Association and all the park areas, those pipes contain about 2 million gallons of water. So, at 25 cents per thousand gallons, you could flush the entire 2 million gallons for about \$500.

Mr. Ramsey commented, 2 million gallons, if you are running this flushing program, we will be running 10,15, 20 minutes apiece. So I think it is going to be a little higher than that. They charge per thousand gallons and these pumps run in gallons per minute, so you will run the 2 million gallons several times, I believe, and I just think somehow that needs to be visited or excluded, or reduced, or something, because it is going to be a big number I think.

Mr. Bettes stated, either we pay for the flushing water and get a lower rate or they pay for the flushing water and we get a higher rate. Someone is going to pay for the water.

Mr. Faust stated, I would like to propose that we ask for a motion on it. If there is no motion, we don't move ahead. If there is a motion, we take a vote, and if it is approved, knowing that these two issues at least are outstanding, then we go ahead. If it is not approved, we come back at the next meeting, hopefully with any additional information that will allow us to make a conclusion.

Mr. Bettes commented, I move for approval of this contract as written with stipulation changes per the lawyer, with the exception of the monitoring, with a price not to exceed 29 cents per thousand gallons.

Mr. Faust asked, is there a second on that motion?

Ms. Celio stated, I second the motion. I just have a problem with the price. Putting a stipulation on what they can charge us. I don't know if we are boxing them in, and we need this.

Mr. Bettes continued, but if they say no, it comes back here, but we are not going to authorize Jim to go out and come back and tell us we are paying \$2.14.

Mr. Faust agreed, that is true, but if we said under 3.1 to be negotiated and that was what we had in the approved contract, and then we still --

Mr. Bettes asked, but when are we going to negotiate it?

Mr. Faust asked, pardon me?

Mr. Bettes continued, when are we going to negotiate it if its not --. We want to negotiate a contract with them, but we don't want to talk about the price?

Mr. Faust stated, well your original suggestion was 25 cents, so if you are going to put a number in there, I would rather put 25 in there, and see where that goes.

Mr. Jaudon commented, I would rather see 19 cents, just because I like 19 cents.

Ms. Celio stated, I don't think that is going to happen. I think we are in a bind at this point.

Mr. Jaudon stated, I don't think we are in a bind, I just think we need to learn how to negotiate and part of negotiation skills is that you don't offer anyone your agreed upon price. You offer them something less that you would agree to. Then, if we know that that cost is 25 cents, I think we should offer them something less than that, because we are giving up

some things. We are flushing our own system, and we are giving them the use of our infrastructure. That's worth something.

Ms. Celio inquired, so where do we go from here?

Mr. Faust continued, we could vote on the motion and we could ask the motions to be amended in some way.

Mr. Jaudon stated, I would move to amend.

Mr. Bettles asked, but what's the mechanics. So, we are going to say 19, or we are going to say 2, or we are going to say some number that we don't expect them to do, so that they can come back, and we will wait a month so that we can react to a number and then in July we will give them another number. I think we need to think where the number is going to be and start moving toward that. So that is why I said 25-29.

Mr. Jaudon continued, I don't disagree with you totally, I just disagree with the number.

Mr. Ward stated, if I might make a suggestion, the four of you, the five of you but Tony has remained silent, so it will be the four of you. As I said, we are at the very end of this game here that we have to make decisions. We don't know whether Aquaterra will agree to any of the terms, all of the terms, some of the terms, in this agreement, and the price almost at this point is less important than whether or not we are going to move forward with this agreement with Aquaterra, so I don't have a strong opinion if you put a number in here or if you don't put a number in here. I need to get the agreement on the table with Aquaterra. If they want to put a number on the table first. They obviously now know where you all are sitting and where all the consternation and where all the problems are going to be with the rate. I think that is good enough for what you have put on the table with Aquaterra. They are going to get feedback, I can assure you but the time we all leave this room as to what this discussion was today, including this rate issue. If we can say to Aquaterra, we have at least a business set of terms and conditions that work for this Board, and you guys are singing off the same song page on it. That is a long way towards getting them to at least look at it and try to get them to get back to us within the next month. The (inaudible) fallout is a result of that, but they are going to know where you all are with those --

Mr. Bettles asked, may I withdraw my motion?

Mr. Faust stated, if your second agrees to that? Yes.

Ms. Celio stated, Okay.

Mr. Bettes stated, Mr. Chairman, I would like to make a motion to approve this agreement as written except for stipulations by attorney, excluding monitoring.

Ms. Celio seconds the motion.

Mr. Faust asked, and 3.1 would be blank with the understanding that would be negotiated prior to the approval of final agreement.

Mr. Bettes commented, Yes, I would have preferred it to be 13 cents

Mr. Faust added, you know I could go lower.

Mr. Faust asked, was there a second?

Ms. Celio seconds this motion.

Mr. Faust asked, any discussion on this?

Mr. Jaudon asked, I want to hear that again, to restate the motion please.

Mr. Bettes restated, move as written except for the tinkering that the lawyer did.

Mr. Jaudon continued, and leaving out something that you –

Multiple Board members commented, Leaving out the rate in 3.1.

Mr. Jaudon asked, leaving out what?

General replied, The rate.

Mr. Jaudon clarified, But putting in everything the lawyer talked about?

Ms. Celio clarified, except the monitoring.

Mr. Jaudon asked, does he hear that?

Mr. Ward stated, he hears it.

Mr. Faust stated, while you are thinking, let me make a comment. I don't like being in a position where, if we don't get this completed by such and such a date, in other words, being in a bind with that issue with regard to the Budget, I don't like that at all. I just feel that that is a very difficult situation and my comment is, that if that is where we are by the time we are at the September 2<sup>nd</sup> meeting, then I am of the opinion at least today, that our position should be that we remove that \$165,000 out, there will be no agreement, unless it is applicable to the next year and then the local associations and the homeowners groups can adjust their Budget to continue to pay Aquaterra (inaudible) until we have time to get through this issue.

Mr. Ward added, I fully agree with you, that is why I think it's so important to get it on the table and see if we can get this done before September versus continually postpone it,

because I will tell you, if you get to your public hearing and there is no agreement, I would recommend to you that you pull the \$175,000 out of your Budget.

Mr. Cooper asked, do you know if Aquaterra is familiar with this date we are trying to meet upon the agreement?

Mr. Ward replied, we will deal with that later.

Mr. Faust added, that's part of why I made the comment, because frankly I don't like being in a position where you agree to what we want to because now they come back with language, and their language is not acceptable to us, now we have the deadline, now we have the \$175,000, and the residents are being hit from the CDD and from their local groups in order to cover the water expense.

Mr. Ward stated, I think if we cannot get an agreement, at least by the time of the public hearing, you are going to know that, and you can take that out and not double charge your residents. To me that is the decision you need to be able to make in September as to whether to pull that out or not, and getting this on the table with them will give you that ability, hopefully.

Mr. Faust stated, my intent is to move this ahead as quickly as we possibly can. It has got to be the proper agreement. We have had too much discussion, we have done too many things to get this document together, and it does need to be resolved, but not at all costs.

Mr. Jaudon commented, Mr. Chairman, this is why my conversation a while ago concerning unilateral and bilateral contracts, is that we would have something on the table with them. For me to send something to anyone with a blank in here. I mean it just leaves us in no position of negotiating, period. We still would be subject to either agreeing or disagreeing with whatever number Aquaterra puts in here.

Mr. Faust responded, well, if we didn't have the two issues that we spent the majority of our time discussing on the table, we have every reason to expect that Aquaterra is going to come back, as we would probably do if we were in their situation, suggest language changes that we would have to make a determination or negotiate the language to balance out what their recommendation is. So, one way or the other, I would expect that we are going to have some continuing discussion on this matter. It would be wonderful if they just agreed to what we have here, but I think we have to expect the other, and then be pleased if they come to an agreement with what we have here. So, there are some changes that, hopefully,

we will begin to address, the water quality issues. We have agreed that we need the number to be right on the reuse fees and otherwise I think we are pretty well set.

Mr. Ward stated, when you are ready to vote, I just have to say one thing on behalf of Tony. Tony is going to declare a conflict under the statute because he is an employee of Lennar and a representative of Aquaterra Utilities and, although it probably doesn't need the threshold, he will declare a conflict and not vote on this agreement at all. I will provide him the appropriate conflict form and ask him to file it with me tomorrow.

The Board agreed.

Mr. Faust asked, any other comments by the Board members? We have a motion before us to approve the draft to contract with Aquaterra with no amount shown on 3.1, under article 3, and to approve the changes in content with regard to the water standards, excluding the monitoring aspect of that. Did I represent that correctly?

Ms. Celio states, that is correct.

Mr. Faust asks, all those in favor please raise your hand. Opposed? Okay. Let the record show.

Mr. Burdett stated, I abstain from voting.

Mr. Faust replies, okay, we have 1 abstention, 1 no, and 3 approving the draft contract.

Mr. Ward asked, Who is the "no"?

Mr. Jaudon interjected, I think I want to change my vote to "no".

Ms. Celio stated, I thought you did say no.

Mr. Jaudon clarified, I didn't think you understood.

Mr. Faust, All right then, the motion is passed.

**On MOTION by Mr. Bettes and seconded by Ms. Celio, with, Mr. Faust, Mr. Bettes and Ms. Celio voting in favor of the motion - Mr. Jaudon voting against the motion - and Mr. Burdett abstaining from the vote - of approving the draft contract with Aquaterra with no amount shown in 3.1, under article 3, and to approve the changes in content with regard to the water standards, excluding the monitoring aspect of that.**

**FIFTH ORDER OF BUSINESS**

**Staff Reports**

**a. Attorney**

There being no report, the next item followed.

**b. Engineer**

Mr. Cooper replied, no additional information.

**c. Manager**

**I. Financial Statements for the period April 1, 2010 through April 30, 2010.**

Mr. Ward stated, I only had for you your April financial statements. There is nothing in there of any great consequence. If you have any questions, I will be glad to answer them for you.

**SIXTH ORDER OF BUSINESS**

**Audience Comments and Supervisor's Requests**

Mr. Faust asked, do we have any additional comments from residents and guests?

Mrs. Aulenbach asked, I have a question for the attorney. I understand Mr. Burdett abstained from voting because it is a conflict, he apparently may have a conflict, but if you are discussing, negotiating of rates and all the provisions, isn't he party to it now and won't that influence what Aquaterra will come back with? Does the attorney have any comment on that?

Mr. Van Assenderp responded, the conflict, I am asking a question is because, please identify specifically the conflict to make sure I understand you.

Mr. Ward stated, Kenza, let me just try to answer Barbara's question for her without getting into that issue. The answer to the question is, these are public meetings, Aquaterra can attend any and all meetings of the Board of Supervisors, as they deem appropriate, or as anyone else deems appropriate, and there is no ability for the District to go into, what we call, a closed session to discuss negotiations. There are some limited abilities to do that in the event of litigation that a governmental agency is involved in. So however, good, bad, or indifferent they may be, these are all handled at this level in the public eye, and whether we call it Aquaterra or anybody else, that is the way they are done.

Mr. Faust asked, any other comments?

Mr. Jaudon responded, even though Mr. Burdett here is a principal or member or employee, I don't know which in Lennar and Aquaterra, is he openly able to speak to them about proceedings here?

Mr. Ward answered, sure, as you are or I am or Gene Aulenbach is, or anybody else is.

Mr. Jaudon clarified, so they themselves could have as well sat here?

Mr. Ward answered, yes. As could the newspaper or anybody else.

Mr. Faust stated, okay, do we have a motion to adjourn?

Mr. Bettes added, I just have one organizational issue to raise, and just something for us to think about. As we are picking up these additional responsibilities, irrigation system, storm water system, what have you. I think we need to schedule some workshops and time to talk about how we are going to do it. It is well and good that we pass the Budget, but now there are things that are going to have to be done and decisions made, and I think we need to somehow get that factored into future meetings to begin that process.

Mr. Faust stated, and I think we were on the course of doing some workshops and then we got into the Budget, Aquaterra, the engineering study, and all that, so we have been pretty well consumed with that, so I would assume we will pick up on some of those other issues.

Mr. Aulenbach stated, I strongly support what we have recommended. I have been promoting that ever since this organization started, that they should have workshops, and I am glad to see that they are finally going to have workshops.

**SEVENTH ORDER OF BUSINESS**

**Adjournment**

Mr. Faust stated, Motion to adjourn.

**On MOTION by Mr. Jaudon and seconded by Ms. Celio, the meeting was adjourned at 5:03 p.m.**

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James P. Ward, Secretary

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Charles Faust, Chairman



June 14, 2010

Heritage Harbour South Community Development District  
513 Northeast 13<sup>th</sup> Avenue  
Fort Lauderdale, Florida 33301

Attention: Mr. James P. Ward  
District Manager

Subject: Infrastructure Renovation Management - Proposal

Dear Jim:

Morris Engineering and Consulting, L.L.C. and our partner, Bill Riley of CAS Asset Management, appreciate this opportunity to provide infrastructure renovation and management services for the District. We understand that you to desire to proceed with certain Infrastructure Renovations as set forth in the Morris Engineering and Consulting report dated April, 2010 as specifically identified in the District's Fiscal Year 2011 Budget. This proposal includes our Scope of Services and associates Fees we believe are necessary to successfully manage the Renovation project as outlined above:

## SCOPE OF SERVICES

### I. Construction Management Services

- a. Preparation of Specifications - This service will include our preparation of specifications obtaining quotes from vendors and providing bid tabulations for the Remedial Action Items detailed in the District's Fiscal Year 2011 Budget. The quotes will be from qualified contractors to perform each task or combination of tasks detailed in our Specifications and Bid Tabulations. Morris Engineering will evaluate contractors to insure each is qualified to provide the requisite service, coordinate with contractors as necessary to obtain bids, and will present our recommendations to the District Manager for award. Upon award of the contract, Morris Engineering with coordinate with the selected contractor to secure necessary Agreements and Contracts on behalf of the District.
- b. Field Management – This service includes our on-going coordination with the selected contractor to review field work and ensure Contractor's compliance with the specifications of the project. This will also include our review of Progress Pay Applications as well as providing the District Manager with weekly progress reports outlining contractor performance, and attendance at periodic Board of Supervisor

Meetings to provide project updates, as requested by the District Manager. A Final report/presentation will be produced and provided to the District upon completion of the Renovation Project.

## PAYMENT OF SERVICES

We propose to furnish the above services on an hourly basis, based on a rate of \$85 per hour, with the following Estimated Fees:

<u>Service</u>	<u>Estimate</u>
<b>I. Construction Management Services</b>	
a. Preparation of Specifications through Contract Award 75 Hours @ \$85/hour	\$ 6,675.00
b. Field Management 198 Hours @ \$85/hour	<u>\$16,830.00</u>
<b>Total Estimated Fee</b>	<b>\$23,460.00</b>

The following out-of-pocket project related expenses will be charged at cost:

1. Printing and Binding of Project Reports, Specifications, Bid Documents and Plans

The following services are not included in this proposal:

1. Permitting Services for any items (no permitting is necessary for identified items)

This proposal and the attached two (2) pages of General Conditions represent the entire understanding between Morris Engineering and Consulting, LLC and Client in respect to the Project and may only be modified in writing signed by both parties. If this Proposal satisfactorily sets forth your understanding of our agreement, please sign and date in the space provided below and return this Agreement to Morris Engineering and Consulting, L.L.C., 15608 29<sup>th</sup> Street East; Parrish, Florida 34219.

Sincerely,  
MORRIS ENGINEERING AND CONSULTING, L.L.C.



Matthew J. Morris, P.E.  
President

Accepted this \_\_\_ day of \_\_\_\_\_, 2010 by:

\_\_\_\_\_  
James P. Ward, District Manager

## General Conditions

1. This Proposal and the anticipated scope of services to be provided by Morris Engineering and Consulting, LLC requires that the Client provide all information as to its requirements for the Project, examine and respond promptly to Morris Engineering and Consulting's submission, and give prompt written notice to Morris Engineering and Consulting whenever the Client observes, or otherwise becomes aware of, any defect or dissatisfaction with the services provided by Morris Engineering and Consulting.
2. In order for Morris Engineering and Consulting to perform its proposed services, the Client must provide Morris Engineering and Consulting with the following:
  - A. Make all necessary provisions to guarantee Morris Engineering and Consulting's ability to enter upon public and private property of the Project.
3. All services rendered in this contract and reimbursable expenses will be invoiced monthly and payment is due within thirty (30) days of the invoice date. Payment shall be made in accordance with the Florida Prompt Payment Act.
4. Out-of-pocket expenses including, but not limited to, county aerials or maps, deeds, air travel, blueprints, outside consultants, express mailing or delivery charges, long distance phone calls and mileage will be billed as an extra.
5. Either party shall have the right to terminate this Proposal upon three (3) days written notice. In the event of termination, Client agrees to pay Morris Engineering and Consulting for all services rendered and expenses incurred to the date of termination, plus reasonable costs incurred by Morris Engineering and Consulting in terminating this Proposal.
6. Morris Engineering and Consulting and the Client acknowledge that this Proposal shall be controlled by the laws of the State of Florida. In the event of a dispute, Manatee County, Florida shall be the proper venue for any action brought hereunder.
7. To the fullest extent permitted by law, and notwithstanding any other provision of this Proposal, the total liability, in the aggregate, of Morris Engineering and Consulting, LLC, its officers, directors, employees, agents, and consultants, and any of them, to Client and anyone claiming by, through, or under Client, for any and all claims, losses, liabilities, costs or damages whatsoever arising out of, resulting from or in any way related to the services rendered by Morris Engineering and Consulting, LLC under this Proposal from any cause, including but not limited to the negligence, professional errors, or omissions, strict liability, breach of contract, or warranty (express or implied) of Morris Engineering and Consulting, LLC, its officers, directors, employees, agents or consultants or any of them, shall not exceed the compensation actually received by Morris Engineering and Consulting, LLC under this Proposal.

8. Morris Engineering and Consulting represents to the Client that Morris Engineering and Consulting's services shall be performed in accordance with those standards of care, skill and diligence and those practices and procedures which are at this time commonly followed by engineers in performing the same or similar services in the locale where Morris Engineering and Consulting's office is located.
9. Notices - All notices shall be addressed to the parties at the addresses stated on the first page of this Proposal and shall be considered as delivered when postmarked, if dispatched by certified or registered mail, or when received in all other cases.
10. The failure of either party to this Proposal to insist upon the performance of any of the terms and conditions of this Proposal, or the waiver of any breach of any of the terms and conditions of this Proposal, shall not be construed as subsequently waiving any such terms and conditions, but the same shall continue to remain in full force and effect as if no such forbearance or waiver had occurred.
11. The invalidity of any portion of this Proposal shall not be deemed to affect the validity of any other provision. If any provision of this Proposal is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.
12. This Proposal shall constitute the entire agreement between the parties and prior understanding or representation of any kind preceding the date of this Proposal shall not be binding upon either party except to the extent incorporated in this Proposal.
13. Any modification of this Proposal or additional obligation assumed by either party in connection with this Proposal shall be binding only if placed in writing and signed by an authorized representative of each party.



June 14, 2010

Heritage Harbour South Community Development District  
513 Northeast 13<sup>th</sup> Avenue  
Fort Lauderdale, Florida 33301

Attention: Mr. James P. Ward  
District Manager

Subject: Field Management - Proposal

Dear Jim:

Morris Engineering and Consulting, L.L.C. and our partner, Bill Riley of CAS Asset Management, appreciate this opportunity to provide Field Management services to the District. As the District embarks on assuming certain operating programs for its infrastructure from the various Associations, our proposal will strengthen the team of professionals and improve the overall field management staff to increase the level of service provided to the Community.

This proposal includes our Scope of Services and associates Fees we believe are necessary to successfully manage the maintenance of the infrastructure:

## SCOPE OF SERVICES

### I. Field Management Services

- a. **Preparation of Specifications:** – This service includes our preparation of specifications, obtaining quotes from vendors and providing bid tabulations for the Infrastructure Maintenance items identified in the District's Fiscal Year 2011 Budget. The quotes will be from qualified contractors to perform each task or combination of tasks detailed in our Specifications and Bid Tabulations. Morris Engineering will evaluate contractors to ensure each is qualified to provide the requisite service, coordinate with qualified contractors to obtain bids, and will present our recommendations to the District Manager for award. Upon award of the contract, Morris Engineering will coordinate with the selected contractors to secure necessary Agreements and Contracts on behalf of the District.

- b. **Field Management** – This service includes our regular, routine observation and management of the District’s Contractors, to ensure compliance with the Specifications and Requirements of the maintenance contracts. This service includes our regular on-site review of work product to insure compliance with contract requirements as well as providing the District Manager with weekly progress reports outlining contractor performance, and such other items as may be reasonably requested by the District Manager. This service also includes our review of each contractor application for Progress/Monthly payment and coordination with District Manager to address any issues as may arise during the course of the Fiscal Year.

**PAYMENT OF SERVICES**

We propose to furnish the above services on an hourly rate basis, based on the below hourly rates and Estimated Fees:

<u>Service</u>	<u>Estimate</u>
<b>I. Field Management Services</b>	
<b>a. <u>Preparation of Specification through Contract Award</u></b>	
Specification Preparation – 40 Hours @ \$85/hour	\$ 3,400.00
Contractor Evaluation, Quotes, Coordination – 45 Hours @ \$85/hour	\$ 3,825.00
Preparation of Contracts and Coordination of Insurance Certificates – 20 Hours @ \$85/hour	\$ 1,700.00
Coordination with Selected Contractors – 15 Hours @ \$85/hour	<u>\$ 1,275.00</u>
<b>Total:</b>	<b>\$10,200.00</b>
<b>b. <u>Contract/Field Management</u></b>	
Contract/Field Management Services – 15 Hours/Week for 39 Weeks = 585 Hours @ \$75/hour	\$43,875.00
Attendance at Monthly Board Meetings – 3 Hours/Month for 12 Months = 36 Hours @ \$75/hour	<u>\$ 2,700.00</u>
<b>Total:</b>	<b>\$46,575.00</b>
<b>Total Estimated Fee:</b>	<b>\$56,775.00</b>

The following out-of-pocket project related expenses will be charged at cost:

1. Printing and Binding of Project Reports, Specifications, Bid Documents and Plans

This proposal and the attached two (2) pages of General Conditions represent the entire understanding between Morris Engineering and Consulting, LLC and District in respect to the Project and may only be modified in writing signed by both parties. If this Proposal satisfactorily sets forth your understanding of our agreement, please sign and date in the space provided below and return this Agreement to Morris Engineering and Consulting, L.L.C., 15608 29<sup>th</sup> Street East; Parrish, Florida 34219.

Sincerely,  
MORRIS ENGINEERING AND CONSULTING, L.L.C.



Matthew J. Morris, P.E.  
President

Accepted this \_\_\_ day of \_\_\_\_\_, 2010 by:

\_\_\_\_\_  
James P. Ward, District Manager

## General Conditions

1. This Proposal and the anticipated scope of services to be provided by Morris Engineering and Consulting, LLC requires that the Client provide all information as to its requirements for the Project, examine and respond promptly to Morris Engineering and Consulting's submission, and give prompt written notice to Morris Engineering and Consulting whenever the Client observes, or otherwise becomes aware of, any defect or dissatisfaction with the services provided by Morris Engineering and Consulting.
2. In order for Morris Engineering and Consulting to perform its proposed services, the Client must provide Morris Engineering and Consulting with the following:
  - A. Make all necessary provisions to guarantee Morris Engineering and Consulting's ability to enter upon public and private property of the Project.
3. All services rendered in this contract and reimbursable expenses will be invoiced monthly and payment is due within thirty (30) days of the invoice date. Payment shall be made in accordance with the Florida Prompt Payment Act.
4. Out-of-pocket expenses including, but not limited to, county aerials or maps, deeds, air travel, blueprints, outside consultants, express mailing or delivery charges, long distance phone calls and mileage will be billed as an extra.
5. Either party shall have the right to terminate this Proposal upon three (3) days written notice. In the event of termination, Client agrees to pay Morris Engineering and Consulting for all services rendered and expenses incurred to the date of termination, plus reasonable costs incurred by Morris Engineering and Consulting in terminating this Proposal.
6. Morris Engineering and Consulting and the Client acknowledge that this Proposal shall be controlled by the laws of the State of Florida. In the event of a dispute, Manatee County, Florida shall be the proper venue for any action brought hereunder.
7. To the fullest extent permitted by law, and notwithstanding any other provision of this Proposal, the total liability, in the aggregate, of Morris Engineering and Consulting, LLC, its officers, directors, employees, agents, and consultants, and any of them, to Client and anyone claiming by, through, or under Client, for any and all claims, losses, liabilities, costs or damages whatsoever arising out of, resulting from or in any way related to the services rendered by Morris Engineering and Consulting, LLC under this Proposal from any cause, including but not limited to the negligence, professional errors, or omissions, strict liability, breach of contract, or warranty (express or implied) of Morris Engineering and Consulting, LLC, its officers, directors, employees, agents or consultants or any of them, shall not exceed the compensation actually received by Morris Engineering and Consulting, LLC under this Proposal.

8. Morris Engineering and Consulting represents to the Client that Morris Engineering and Consulting's services shall be performed in accordance with those standards of care, skill and diligence and those practices and procedures which are at this time commonly followed by engineers in performing the same or similar services in the locale where Morris Engineering and Consulting's office is located.
9. Notices - All notices shall be addressed to the parties at the addresses stated on the first page of this Proposal and shall be considered as delivered when postmarked, if dispatched by certified or registered mail, or when received in all other cases.
10. The failure of either party to this Proposal to insist upon the performance of any of the terms and conditions of this Proposal, or the waiver of any breach of any of the terms and conditions of this Proposal, shall not be construed as subsequently waiving any such terms and conditions, but the same shall continue to remain in full force and effect as if no such forbearance or waiver had occurred.
11. The invalidity of any portion of this Proposal shall not be deemed to affect the validity of any other provision. If any provision of this Proposal is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision.
12. This Proposal shall constitute the entire agreement between the parties and prior understanding or representation of any kind preceding the date of this Proposal shall not be binding upon either party except to the extent incorporated in this Proposal.
13. Any modification of this Proposal or additional obligation assumed by either party in connection with this Proposal shall be binding only if placed in writing and signed by an authorized representative of each party.

**BOARD OF SUPERVISOR'S**

**HERITAGE HARBOUR SOUTH  
COMMUNITY DEVELOPMENT DISTRICT**

**FINANCIAL STATEMENTS  
May 31, 2010**

**Board of Supervisor's**

**Charles Faust, Chairman  
Anthony Burdett, Vice Chariman  
Rosalie Ann Celio, Assistant Secretary  
W. Lee Bettes, Assistant Secretary  
Joseph H. Jaudon, Assistant Secretary**

James P. Ward  
District Manager  
513 Northeast 13th Avenue  
Fort Lauderdale, Florida 33301

Phone: 954-658-4900  
E-mail: ward9490@comcast.net



**Heritage Harbour South Community Development District**

**Balance Sheet - All Funds and Account Groups  
as of May 31, 2010**

	<u>Governmental Funds</u>				<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>Debt Service Funds</u>			<u>Capital Projects Fund</u>	<u>General Long Term Debt</u>	<u>General Fixed Assets</u>	
	<u>General Fund</u>	<u>Series 2002</u>	<u>Series 2003</u>				
<b>Assets</b>							
<b>Cash and Investments</b>							
General Fund - Invested Cash	\$ 83,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,845
Capital Project Fund - Deferred Cost Account	-	-	-	125,522	-	-	125,522
<b>Debt Service Funds</b>							
Revenue Accounts	-	247,839	49,219	-	-	-	297,058
Reserve Accounts	-	543,190	158,488	-	-	-	701,678
Prepayment Accounts	-	-	-	-	-	-	-
<b>Due from Other Funds</b>							
General Fund	-	-	-	-	-	-	-
Debt Service - Series 2002	-	-	-	-	-	-	-
Debt Service - Series 2003	-	-	-	-	-	-	-
<b>Market Valuation Adjustments</b>							
Accrued Interest Receivable	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-
Prepaid Expenses	-	-	-	-	-	-	-
Amount Available in Debt Service Funds	-	-	-	-	998,736	-	998,736
Amount to be Provided by Debt Service Funds	-	-	-	-	8,111,264	-	8,111,264
General Fixed Assets	-	-	-	-	-	31,754,568	31,754,568
<b>Total Assets</b>	<b><u>\$ 83,845</u></b>	<b><u>\$ 791,029</u></b>	<b><u>\$ 207,707</u></b>	<b><u>\$ 125,522</u></b>	<b><u>\$ 9,110,000</u></b>	<b><u>\$ 31,754,568</u></b>	<b><u>\$ 42,072,670</u></b>

**Heritage Harbour South Community Development District**

**Balance Sheet - All Funds and Account Groups  
as of May 31, 2010**

	Governmental Funds				Account Groups		Totals (Memorandum Only)
	Debt Service Funds			Capital Projects Fund	General Long Term Debt	General Fixed Assets	
	General Fund	Series 2002	Series 2003				
<b>Liabilities</b>							
<b>Accounts Payable &amp; Payroll Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Due to Other Funds</b>							
General Fund	-	-	-	-	-	-	-
Debt Service - Series 2002	-	-	-	-	-	-	-
Debt Service - Series 2003	-	-	-	-	-	-	-
<b>Bonds Payable - Series 2002</b>	-	-	-	-	7,025,000	-	7,025,000
<b>Bonds Payable - Series 2003</b>	-	-	-	-	2,085,000	-	2,085,000
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,110,000</b>	<b>\$ -</b>	<b>\$ 9,110,000</b>
<b>Fund Equity and Other Credits</b>							
<b>Investment in General Fixed Assets</b>	-	-	-		-	31,754,568	31,754,568
<b>Fund Balance</b>							
<b>Reserved</b>							
Beginning: October 1, 2009	-	830,458	356,461	-	-	-	1,186,919
Results from Current Operations	-	(39,429)	(148,755)	125,522	-	-	(62,662)
<b>Unreserved</b>							
Beginning: October 1, 2009	90,981	-	-	-	-	-	90,981
Results from Current Operations	(7,136)	-	-	-	-	-	(7,136)
<b>Total Fund Equity and Other Credits</b>	<b>83,845</b>	<b>791,029</b>	<b>207,707</b>	<b>125,522</b>	<b>-</b>	<b>31,754,568</b>	<b>32,962,670</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 83,845</b>	<b>\$ 791,029</b>	<b>\$ 207,707</b>	<b>\$ 125,522</b>	<b>\$ 9,110,000</b>	<b>\$ 31,754,568</b>	<b>\$ 42,072,670</b>

**Heritage Harbour South Community Development District**

**General Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balance  
for the Period Ending May 31, 2010**

	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>Year to Date</b>	<b>Annual Budget</b>	<b>% of Budget</b>
<b>Revenue and Other Sources</b>											
Carryforward	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,410	N/A
Miscellaneous Revenue	-	-	-	-	-	-	-	-	-	-	N/A
<b>Interest</b>											
Interest - General Checking	29	24	43	35	23	24	20	17	216	400	54%
<b>Special Assessment Revenue</b>											
Special Assessments - Uniform Method	581	252	44,338	28,440	2,647	1,491	3,205	1,797	82,751	86,829	95%
<b>Total Revenue and Other Sources:</b>	<b>\$ 610</b>	<b>\$ 276</b>	<b>\$ 44,381</b>	<b>\$ 28,475</b>	<b>\$ 2,670</b>	<b>\$ 1,515</b>	<b>\$ 3,225</b>	<b>\$ 1,815</b>	<b>\$ 82,967</b>	<b>\$ 118,639</b>	<b>70%</b>
<b>Expenditures and Other Uses</b>											
<b>Legislative</b>											
Board of Supervisor's Fees	\$ -	\$ 600	\$ 800	\$ 800	\$ 800	\$ 800	\$ -	\$ 800	\$ 4,600	\$ 7,000	66%
Board of Supervisor's - FICA	-	46	61	61	61	61	-	61	352	600	59%
<b>Executive</b>											
Executive Salaries	1,010	1,010	1,010	1,010	1,010	1,010	1,514	1,010	8,582	13,125	65%
Executive Salaries - FICA	77	77	77	77	77	77	116	77	657	1,004	65%
Executive Salaries - Insurance	109	142	142	142	142	142	142	142	1,102	2,000	55%
<b>Financial and Administrative</b>											
Audit Services	-	1,500	-	5,300	-	-	-	-	6,800	6,800	100%
Accounting Services	528	849	459	508	785	1,128	273	519	5,046	8,160	62%
Assessment Roll Preparation	-	-	-	-	-	-	-	-	-	-	N/A
Arbitrage Rebate Services	-	-	-	2,500	-	-	-	-	2,500	3,500	71%

**Heritage Harbour South Community Development District**

**General Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balance  
for the Period Ending May 31, 2010**

	October	November	December	January	February	March	April	May	Year to Date	Annual Budget	% of Budget
<b>Other Contractual Services</b>	-										
Recording and Transcription	-	-	477	225	243	479	-	-	1,424	4,200	34%
Legal Advertising	-	-	-	966	-	-	-	-	966	1,800	54%
Trustee Services	-	5,500	-	-	-	-	3,340	2,877	11,717	14,400	81%
Dissemination Agent Services	-	-	-	2,000	-	-	-	-	2,000	2,000	100%
Property Appraiser Fees	-	-	-	-	-	-	-	-	-	-	N/A
Bank Services	25	25	25	25	26	86	30	33	276	400	69%
<b>Travel and Per Diem</b>	-	-	-	-	-	-	-	-	-	-	N/A
<b>Communications &amp; Freight Services</b>	-										
Telephone	-	-	-	-	-	-	-	-	-	50	0%
Postage, Freight & Messenger	11	85	178	134	264	318	39	134	1,162	400	291%
<b>Rentals &amp; Leases</b>	-										
Miscellaneous Equipment Leasing	-	-	-	-	-	-	-	-	-	-	N/A
Computer Services	475	475	475	475	475	475	475	475	3,800	5,700	67%
<b>Insurance</b>	5,000	-	-	-	-	-	-	-	5,000	5,250	95%
<b>Printing &amp; Binding</b>	84	-	125	104	192	-	86	-	590	250	236%
<b>Office Supplies</b>	75	-	-	13	-	(75)	-	-	13	125	11%
<b>Subscription &amp; Memberships</b>	175	-	-	-	-	-	-	-	175	175	100%
<b>Legal Services</b>											
Legal - General Counsel	-	1,816	2,395	1,253	1,740	4,031	6,763	3,294	21,292	24,800	86%
<b>Other General Government Services</b>											
Engineering Services - General Fund	-	-	-	600	225	300	1,125	-	2,250	2,500	90%
Engineering Services - HOA Review	-	-	-	-	-	-	4,575	5,225	9,800	14,400	68%

**Heritage Harbour South Community Development District**

**General Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balance  
for the Period Ending May 31, 2010**

	October	November	December	January	February	March	April	May	Year to Date	Annual Budget	% of Budget
<b>Capital Outlay</b>	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Expenditures and Other Uses:</b>	<b>\$ 7,567</b>	<b>\$ 12,125</b>	<b>\$ 6,223</b>	<b>\$ 16,193</b>	<b>\$ 6,039.77</b>	<b>\$ 8,831</b>	<b>\$ 18,478</b>	<b>\$ 14,647</b>	<b>\$ 90,104</b>	<b>\$ 118,639</b>	<b>76%</b>
Net Increase/ (Decrease) of Fund Balance	(6,957)	(11,848)	38,158	12,283	(3,370)	(7,316)	(15,252)	(12,833)	(7,136)	N/A	
Fund Balance - Beginning	90,981	84,024	72,175	110,333	122,615	119,246	111,930	96,677	83,845	112,342	
Fund Balance - Ending	<u>\$ 84,024</u>	<u>\$ 72,175</u>	<u>\$ 110,333</u>	<u>\$ 122,615</u>	<u>\$ 119,246</u>	<u>\$ 111,930</u>	<u>\$ 96,677</u>	<u>\$ 83,845</u>	<u>\$ 76,708</u>	<u>\$ 112,342</u>	

**Heritage Harbour South Community Development District**

Debt Service Fund - Series 2002 Bonds

Statement of Revenue, Expenditures and Changes in Fund Balance

for the Period Ending May 31, 2010

	October	November	December	January	February	March	April	May	Year to Date	Budget	% of Budget
<b>Revenue and Other Sources</b>											
<b>Carryforward</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	0%
<b>Interest Income</b>											
Revenue Account	-	-	-	-	-	-	-	-	-	-	N/A
Reserve Account	-	-	-	-	-	-	-	-	-	-	N/A
Prepayment Account	-	-	-	-	-	-	-	-	-	-	N/A
<b>Special Assessment Revenue</b>											
Special Assessments - Uniform Method	3,762	1,630	279,122	209,644	17,704	8,914	18,407	10,488	549,671	569,750	96%
<b>Prepayment Revenue</b>	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Revenue and Other Sources:</b>	<b>\$ 3,762</b>	<b>\$ 1,630</b>	<b>\$ 279,122</b>	<b>\$ 209,644</b>	<b>\$ 17,704</b>	<b>\$ 8,914</b>	<b>\$ 18,407</b>	<b>\$ 10,488</b>	<b>\$ 549,671</b>	<b>\$ 584,750</b>	<b>94%</b>
<b>Expenditures and Other Uses</b>											
<b>Debt Service</b>											
Principal - Mandatory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 115,000	\$ 115,000	\$ 120,000	96%
Principal - Early Redemptions	-	10,000	-	-	-	-	-	-	10,000	-	N/A
Interest Expense	-	232,213	-	-	-	-	-	231,888	464,100	464,750	100%
<b>Operating Transfers Out</b>	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Expenditures and Other Uses:</b>	<b>\$ -</b>	<b>\$ 242,213</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 346,888</b>	<b>\$ 589,100</b>	<b>\$ 584,750</b>	<b>101%</b>
Net Increase/ (Decrease) of Fund Balance	3,762	(240,583)	279,122	209,644	17,704	8,914	18,407	(336,400)	(39,429)	N/A	
Fund Balance - Beginning	830,458	834,220	593,637	872,760	1,082,404	1,100,108	1,109,022	1,127,429	830,458	825,972	
Fund Balance - Ending	<u>\$ 834,220</u>	<u>\$ 593,637</u>	<u>\$ 872,760</u>	<u>\$ 1,082,404</u>	<u>\$ 1,100,108</u>	<u>\$ 1,109,022</u>	<u>\$ 1,127,429</u>	<u>\$ 791,029</u>	<u>\$ 791,029</u>	<u>\$ 825,972</u>	

**Heritage Harbour South Community Development District**

Debt Service Fund - Series 2003 Bonds

Statement of Revenue, Expenditures and Changes in Fund Balance

for the Period Ending May 31, 2010

	October	November	December	January	February	March	April	May	Year to Date	Budget	% of Budget
<b>Revenue and Other Sources</b>											
Carryforward	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,079	0%
<b>Interest Income</b>											
Revenue Account	-	-	-	-	-	-	-	-	-	-	N/A
Reserve Account	-	-	-	-	-	-	-	-	-	-	N/A
Prepayment Account	-	-	-	-	-	-	-	-	-	-	N/A
<b>Special Assessment Revenue</b>											
Special Assessments - Uniform Method	1,059	459	78,589	59,027	4,985	2,510	5,183	2,953	154,765	160,440	96%
Prepayment Revenue	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Revenue and Other Sources:</b>	<b>\$ 1,059</b>	<b>\$ 459</b>	<b>\$ 78,589</b>	<b>\$ 59,027</b>	<b>\$ 4,985</b>	<b>\$ 2,510</b>	<b>\$ 5,183</b>	<b>\$ 2,953</b>	<b>\$ 154,765</b>	<b>\$ 303,519</b>	<b>51%</b>
<b>Expenditures and Other Uses</b>											
<b>Debt Service</b>											
Principal - Mandatory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 35,000	\$ 35,000	100%
Principal - Early Redemptions	-	-	-	-	-	-	-	-	-	-	N/A
Interest Expense	-	65,720	-	-	-	-	-	65,720	131,440	131,440	100%
Operating Transfers Out	134,836	2,243	-	-	-	-	-	-	137,079	137,079	100%
<b>Total Expenditures and Other Uses:</b>	<b>\$ 134,836</b>	<b>\$ 67,963</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,720</b>	<b>\$ 303,519</b>	<b>\$ 303,519</b>	<b>100%</b>
Net Increase/ (Decrease) of Fund Balance	(133,777)	(67,504)	78,589	59,027	4,985	2,510	5,183	(97,767)	(148,755)	N/A	
Fund Balance - Beginning	356,461	222,684	155,180	233,769	292,797	297,781	300,291	305,474	356,461	364,083	
Fund Balance - Ending	<u>\$ 222,684</u>	<u>\$ 155,180</u>	<u>\$ 233,769</u>	<u>\$ 292,797</u>	<u>\$ 297,781</u>	<u>\$ 300,291</u>	<u>\$ 305,474</u>	<u>\$ 207,707</u>	<u>\$ 207,707</u>	<u>\$ 364,083</u>	

**Heritage Harbour South Community Development District**

**Capital Projects Fund**

**Statement of Revenue, Expenditures and Changes in Fund Balance  
for the Period Ending May 31, 2010**

	October	November	December	January	February	March	April	May	Year to Date	Budget	% of Budget
<b>Revenue and Other Sources</b>											
Carryforward	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (124,579)	0%
<b>Interest Income</b>											
Deferred Cost Account	-	-	-	-	-	-	-	-	-	-	N/A
Operating Transfers In	134,836	2,243	-	-	-	-	-	-	137,079	137,079	100%
<b>Total Revenue and Other Sources:</b>	<b>\$ 134,836</b>	<b>\$ 2,243</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 137,079</b>	<b>\$ 12,500</b>	<b>1097%</b>
<b>Expenditures and Other Uses</b>											
<b>Flood Control - Stormwater Management</b>											
Engineering Services	\$ -	\$ -	\$ 6,125	\$ -	\$ 3,633	\$ -	\$ -	\$ 1,800	\$ 11,558	\$ 12,500	92%
Legal Services	-	-	-	-	-	-	-	-	-	-	N/A
<b>Operating Transfers Out</b>											
	-	-	-	-	-	-	-	-	-	-	N/A
<b>Total Expenditures and Other Uses:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,125</b>	<b>\$ -</b>	<b>\$ 3,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,800</b>	<b>\$ 11,558</b>	<b>\$ 12,500</b>	<b>92%</b>
Net Increase/ (Decrease) of Fund Balance	134,836	2,243	(6,125)	-	(3,633)	-	-	(1,800)	125,522	N/A	
Fund Balance - Beginning	-	134,836	137,079	130,954	130,954	127,322	127,322	127,322	-	-	
Fund Balance - Ending	<u>\$ 134,836</u>	<u>\$ 137,079</u>	<u>\$ 130,954</u>	<u>\$ 130,954</u>	<u>\$ 127,322</u>	<u>\$ 127,322</u>	<u>\$ 127,322</u>	<u>\$ 125,522</u>	<u>\$ 125,522</u>	<u>\$ -</u>	