

## MINUTES OF CONTINUED COMMITTEE MEETING ENTERPRISE COMMUNITY DEVELOPMENT DISTRICT

A meeting of the utility review committee of the Board of Supervisors of the Enterprise Community Development District held Tuesday, December 9, 2008, was continued to Wednesday, December 17, 2008, at 3:30 p.m. at 851 Celebration Avenue, Celebration, FL 34747.

Present and constituting a quorum were:

R. Chuck *Bell (by phone)*  
Jim Parker  
Russell Stokes

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Cheryl Stuart <i>(by phone)</i>	Attorney: Hopping Green & Sams
Brenda Burgess	Moyer Management Group
Brian Smith	Severn Trent, Management Division
John Dunty	Severn Trent, Operations Division
Roger Mitchell	Severn Trent, Operations Division

### FIRST ORDER OF BUSINESS

#### Roll Call

Mr. Moyer called the committee meeting to order at 3:30 p.m.

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

### SECOND ORDER OF BUSINESS

#### Approval of Minutes of December 9, 2008, Committee Meeting

Mr. Moyer reviewed the minutes from the December 9, 2008, and requested deletions, corrections, or additions.

On MOTION by Mr. Bell, seconded by Mr. Parker, with all in favor, approval was given to the minutes from the December 9, 2008, utility review committee meeting.
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### THIRD ORDER OF BUSINESS

#### Review and Ranking of Utility Bids

Mr. Moyer stated I obtained my information by reading the minutes because I was not at the last committee meeting you had. The issue was the amount that we spent in actual expenditures exceeded the budget and, therefore, exceeded the bid that we received, and there was some concern about that. To put it in some perspective for you, from time to time, I recall during the last year there were certain items that came to this Board that were clearly identified as not being budgeted for and would come from the capital

projects fund or fund balance. We no longer have a capital projects account because we spent all our bond proceeds on Celebration Boulevard extension. Those monies are gone, which means we fund these capital projects out of fund balance that we carry in the utility fund. There are a couple ways of doing that. We simply took it out of fund balance pursuant to discussions with this Board. We could have shown in the budget that fund balance was transferred from the reserves into the operating account to offset these expenditures. For meter sets, we get paid for meter sets but there is a corresponding expense for that. At the committee's request, Ms. Burgess reconciled the budget versus what we actually expended and provided that analysis to the committee. We had a budget of \$390,997; we had actual expenditures of \$549,000, or about \$158,000 over budget. The actual amount of expenditures that went to Severn Trent is shown under the budget details, which was \$441,023 and comprised of the base bid of \$258,000 and general repairs of \$72,000, which would have been budgeted under the \$390,000, and major repairs that I refer to as capital projects of \$109,000. Ms. Burgess took the \$158,000 and identified invoices against that amount. Meter purchases were part of that. Odor control was about \$60,000, repairs by other vendors were \$7,200 and there was an invoice of \$33,000 that needed to be accrued in the 2007 financials. That accounts for the \$158,000. At issue is the amount of capital projects repairs of \$109,000. There is another schedule that identifies what those expenses were for. The large ones are the double-check valve assembly that we discussed having to do a bypass to take out that assembly for \$47,000, and as part of our irrigation system, we did some valve work for \$23,000. That, along with some other major repairs, totals the \$109,741. What I need to do on behalf of management is when these items come up is better identify them on the financial statements where we make the transfer of funds and budget adjustments so that it does not show the negative variances at the end of the year. I think this shows where the money was spent and why we spent \$549,000 on a budget of \$390,000.

Mr. Stokes stated to clarify, on the \$390,000 budget for last year, the appropriate expenses toward that were \$258,000 plus \$72,000.

Mr. Moyer stated that is correct.

Mr. Stokes stated \$330,000 versus \$390,000 and to that were added additional efforts done that were funded from this account.

Mr. Moyer stated that is correct.

Ms. Stuart stated this is more a budget question than a Severn Trent proposal question other than for purposes of understanding. The budget line item that we incur still indicates that something is out of whack in this budget versus what we routinely spend. We need to budget for repairs because we cannot take it out of fund balance forever. What is in the current 2009 budget for this contract?

Mr. Moyer stated it really is one budget line item that includes the Severn Trent operations contract and certain anticipated maintenance that takes place.

Ms. Stuart asked what is the amount for 2009? The \$390,000 was last year's budget.

Mr. Bell stated this year's budget is the same amount as last year's budget.

Ms. Stuart asked what should be in that line item?

Mr. Moyer stated the Severn Trent contract and anticipated maintenance expenses that we normally incur for operations and not extraordinary things like the pumps.

Ms. Stuart stated I agree, but my point is the budget number has stayed the same and the contract has a 36% increase. Somewhere it busts the budget even if we have our normal amount of repairs.

Mr. Moyer stated that may be the case, which means we will need to do a budget amendment.

Ms. Stuart stated or we decide we want to rebid this contract. One thing the committee can do is go back out and negotiate this contract differently. Given there is only one bidder in a competitive solicitation, we tell them we cannot live with this amount and tell them we are going back out for bid. We can break it into different components and rebid. Alum costs are included that need to be a Celebration CDD cost and not an Enterprise CDD cost. We need to look at that and see what we can do. Otherwise you are making decisions that will bust the budget.

Mr. Moyer stated we are currently in a rate review and that is information we need to make them aware of as part of that rate review. I know Ms. Stuart had some sensitivity in looking at the bids from 2000, but I think that is helpful in terms of putting the work in context. In that case, there were two bidders and the other bidder was significantly higher with much less work to do than what we are currently bidding in this scope.

Ms. Stuart stated that may have nothing to do with where the economy is or where the vendors are or where Toho Water Authority is. I am not advocating this. You can pull billing out and get another vendor to do just billing. There are ways to do that. This

District has not chosen to do that, but the committee was very sensitive to the budget question. We do not want to recommend a contract that knowingly is over budget at least by this extraordinary amount, and what options do we have. That was the conversation and why have we been over budget was the genesis of the conversation.

Mr. Stokes stated we needed that analysis since we did not have anything to look at, look to historic benchmarks namely 2007 and 2008. What are the comparable numbers for this proposal from Severn Trent for the first year. From what I am seeing, the corresponding number to the current proposal of \$328,000 is the \$258,000 that Severn Trent was paid last year plus \$72,000.

Mr. Moyer stated it is just \$258,000 for the base contract.

Mr. Stokes asked was that for the same scope and same comparison and same duration?

Ms. Stuart asked did we have all the same villages in the 2000 bid and this one?

Mr. Smith stated from last year to this year is the same scope.

Mr. Stokes stated the monthly charge for the last three months of last year were slightly higher than the previous months.

Mr. Moyer stated the Board approved a change order to add that into their contract for additional services they are providing.

Mr. Stokes asked those same services are included in this scope?

Mr. Moyer stated we are adding additional people.

Mr. Stokes stated \$23,000 per month from last year represents a staff of three and the \$27,000 proposed monthly amount is for a staff of five. Are the two extra staff members required as a result of increased scope? What is the justification for the two additional staff?

Mr. Smith stated increased areas. We have taken on several new lift stations, the system on Celebration Boulevard, growth of Artisan Park. As they build on Celebration Boulevard, that takes more time because there are more utility connections, which creates more work for their staff.

Mr. Stokes asked we are anticipating additional scope to come online later this year and is included in this bid?

Ms. Stuart stated it might be a contract where we say we do not want to pay for them until we need them.

Mr. Smith stated the scope has come on line in the last several years and the contract amount did not go up. Staff has increased and work load has increased, but they had no contract increase. Additional areas came online and it created a need for additional staff.

Mr. Stokes asked does the \$23,000 include those additional areas?

Ms. Stuart stated yes.

Mr. Smith stated it went up to four staff members. This new proposal is for five staff.

Mr. Stokes stated that additional staff member is to take on additional work anticipated to come online.

Mr. Smith stated we are also looking at meter change outs, whether that is bid out or done in-house but it creates a heavier workload for staff because you are monitoring whoever is doing the work. We have that work coming up soon as well.

Mr. Stokes stated looking at the \$23,000 to \$27,000, it increased \$4,000 or 15%, if you look at it that way as opposed to the \$258,000 and the \$328,000. We are trying to compare them on an equal basis since we have nothing else to compare it to with no other bids.

Ms. Stuart asked when will the additional staff member be available to District?

Mr. Mitchell stated he is already on site.

Mr. Stokes asked he is working but you are not billing for his services?

Mr. Mitchell stated that is correct.

Mr. Moyer asked are you absorbing that cost?

Mr. Mitchell stated yes.

Mr. Stokes asked is there enough work to warrants the fifth person already?

Mr. Mitchell stated yes.

Mr. Stokes stated a 15% increase and \$328,000 is still under \$390,000 budget, which includes other things we know will be coming. We just do not know the magnitude of that work.

Mr. Parker asked how long have the fourth and fifth people been on Board?

Mr. Mitchell stated the fourth one started in 2006 and the fifth one about eight or nine months ago.

Mr. Stokes stated my only concern is, what are the costs that may be incurred down the road. The delta we have to cover those costs if we approve this contract is \$62,000. If we go over that, where do funds come from?

Mr. Smith stated last year we spent \$72,000 on general maintenance and this year we will have \$62,000 available. If we spend \$72,000 again next year, we will need to do a budget amendment. A lot of the things we did last year we will not need to do again. We did a lot of system enhancements and replacements. The system is getting older and we have started replacing some of the components.

Mr. Moyer stated the way the rates for Enterprise CDD are setup is that we anticipate that we will runs surpluses to go to the capital account, to go for things like the balance to pay for the Celebration Boulevard extension. And you carry a fairly large fund balance. We anticipate in 2009 to have a surplus of \$324,000. The extra money spent on unanticipated maintenance would come from the operating surplus that we will generate this year. So you will contribute that much less to the fund balance going to fiscal year 2010.

Mr. Stokes asked can we monitor this on a monthly basis to see how we are trending over the \$328,000?

Mr. Moyer stated yes.

Mr. Parker stated the responsibility we have as the committee, we have to compare the previous contract with this proposal and we are bringing in a different budget line item to discuss this, which we need to make sure the contract is within this budgeted amount but not necessarily all the other items in the budget we are responsible for.

Mr. Moyer stated yes.

Ms. Stuart stated I would disagree with you. It is one line item but it is composed of several elements.

Mr. Stokes stated we just need to monitor it.

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

#### **Recommendation to the CDD Board of Supervisors**

Mr. Moyer stated the next step for the committee is to make a recommendation to the Enterprise CDD Board at its meeting.

Ms. Stuart stated the proposed increase every year is based on a CPI that does not exist so we need to clarify what CPI we are going to use. It is not 3%; it is a CPI increase that they have estimated at 3%. We will probably want to use the CPI-All Urban Consumers as opposed to Urban Workers and Clerical Workers, and use it for all U.S.

Cities as opposed to the southern region since that is slightly lower than the increase for the entire U.S. It is called U.S. City average. I assume that is what they meant.

Mr. Parker stated I would recommend to the Board they monitor the unanticipated expenses.

Mr. Stokes stated with the understanding that our delta of \$62,000 is lower than the \$72,000 spent last year and will require monitoring to see how it is trending.

On MOTION by Mr. Parker, seconded by Mr. Stokes, with all in favor, approval was given to recommend to the Enterprise CDD Board to award a contract for utility services to Severn Trent as presented, using the CPI-All Urban Consumers for all U.S. Cities, and to monitor unanticipated maintenance expenses on a monthly basis going forward.

Mr. Moyer stated thank you, gentlemen, for serving on this committee and for doing a great job.

**FIFTH ORDER OF BUSINESS**

**Adjournment**

On MOTION by Mr. Parker, seconded by Mr. Stokes, with all in favor, the meeting was adjourned at 3:50 p.m.