

MINUTES OF MEETING  
REUNION EAST COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Reunion East Community Development District was held Thursday, September 8, 2011 at 2:00 p.m. at the Heritage Crossing Community Center, 7715 Heritage Crossing Way, Reunion, Florida.

Present and constituting a quorum were:

David Burman	Vice Chairman
Marty Pawlikowski	Assistant Secretary
Lee Beekman	Assistant Secretary
Duane Owen	Assistant Secretary

Also present were:

George Flint	District Manager
Colt Little	District Counsel
Steve Boyd	District Engineer
Jason Showe	Assistant District Manager
Alan Scheerer	Operations Manager
Several residents	

**FIRST ORDER OF BUSINESS**

**Roll Call**

Mr. Flint called the meeting to order.

**SECOND ORDER OF BUSINESS**

**Approval of the Minutes of the August 11, 2011 Meeting**

Mr. Flint stated the next item is approval of the minutes of the August 11, 2011 meeting, which were provided to you in your agenda packet. Are there any additions, deletions or corrections to the minutes?

Mr. Beekman stated a correction on page 19 I believe I made the statement, do we have public comment and it was identified as Mr. Burman.

On MOTION by Mr. Pawlikowski seconded by Mr. Burman with all in favor the minutes of the August 11, 2011 meeting were approved as amended.
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**THIRD ORDER OF BUSINESS**

**Consideration of Amendment to  
Management Services Agreement**

Mr. Flint stated the next item is a proposed amendment to the management services agreement. The District is not a party to this agreement it is between the management company and Reunion Club but I would present it to you just for your approval. The original agreement expires on September 30<sup>th</sup> and this amendment just proposes that the agreement be extended on a month-to-month basis under the same terms and conditions as the current agreement. The purpose of that is to allow for a discussion between the resort and the District and the management company regarding the agreement and any proposed changes that might need to take place to that agreement. I will mention that Mr. Greenstein and others have provided the Board with a memorandum that I emailed to all of you with their comments. Don is here today and I think he was a signer on that memo so they have an interest in that agreement and the renegotiation of that agreement. My hope would be let's get past the budget hearing, let's get this thing amended so at least we can continue to operate month to month and that will allow us time to get together and communicate.

A resident asked could it be finalized before January?

Mr. Flint responded the fiscal year starts on October 1<sup>st</sup> and this would be month to month and if we were able to renegotiate the agreement it could be done at any time. This would allow us to at least go forward and the resort continue to operate the facilities.

A resident asked it could go on for 12 months, right?

Mr. Flint responded conceivably it could.

A resident asked does the amendment in its form state that both parties are going to negotiate the terms over the course of it?

Mr. Little responded no, it doesn't say that?

A resident asked don't you think that is a good idea?

Mr. Little stated we have a 60-day termination provision anyway.

A resident stated you have to get their agreement to negotiate.

Mr. Little stated I think they are well aware that is going to happen.

A resident stated yes but you could get their agreement.

Mr. Little stated for whatever that is worth I agree with you but I don't know if that is worth anything to get them to agree to negotiate but they are certainly well aware that the intent of this is to renegotiate. There is a 60-day termination clause if we are not satisfied with their

willingness or ability to negotiate some different terms, we would certainly seek an alternative arrangement pretty quickly. If the District is negotiating and it seems to be constructive to the District the District can choose to maintain the month to month as long as they want, if they are not satisfied with negotiations they can terminate the entire agreement and start over with a different arrangement completely.

A resident stated I think it would be in the best interest of the homeowners as well to have a timeframe.

Mr. Little stated I understand. I think everyone here and the Board appreciates the need to get something renegotiated rather quickly it is just that when both parties have the ability to terminate the agreement in 60 days those kinds of promises or deadlines often don't mean that much.

A resident stated in other areas we have made something like that subject to an agreement to meet and negotiate on a certain date so they can't keep dragging it out putting you in a position where you have no alternative but to keep it rolling along, not necessarily a date certain but something like in the next 45 days there will be discussion on it or whatever it might be to try to push it and that becomes the base so if either party doesn't do that maybe that triggers a termination.

Mr. Flint stated Mr. Searles is here this afternoon and I can tell you that if there has been a request for a meeting I have never had him say that he wouldn't meet with us. He has already agreed to extend it month to month under the same terms with no increase in charges and Mike knows the intent of this and I spoke to him earlier today as well, the intent of this is to provide an opportunity to have dialog on that agreement. I don't know that we need a stick in here to coerce the resort to sit down and talk with us because I believe there is a willingness there. Mike can confirm that.

Mr. Searles stated of course there is a willingness. Maybe I'm missing something here but I don't think there is any guarantee that sitting down and talking with the resort is going to wind up with some drastically reduced fee to the resort. Is that the general opinion?

A resident stated no, it seems if it is month to month we just want to know when you are going to finalize the contract. We are looking for a timeframe of such and such a date to come to agreement.

Mr. Searles stated I will sit down tomorrow and talk about whatever.

A resident stated the motion says to agree to a month-to-month contract.

A resident stated if I remember with the changes some of them dealt with understanding the dollars. It wasn't proposing dollars one way or another, the homeowners don't understand the numbers and the information that is out there but it was also trying to define who has what responsibility and the level of responsibility and things like that. There is no way to tackle the numbers it is just an analysis of what the deal is and what do you get for the deal and what you don't get for the deal.

A resident stated we put together recommendations and some suggestions on administration and management, more on site.

Mr. Searles asked that was in the email? I haven't seen the email.

Mr. Flint stated I just emailed it to Mike.

A resident stated that is what it was about we see some things that might be able to be improved as far as the process itself, not so much the money.

Mr. Searles stated I think it is like anything else it is between the three parties.

Mr. Burman stated I think we should hold off on having this discussion until we actually do have the problem. If we find ourselves three months from now with no progress no discussion then we can have that discussion then. For now month to month I think is okay as long as everybody else agrees with that. We don't have that issue yet. Let's wait until three months down the road and see if that comes up.

Mr. Pawlikowski stated I agree with Mr. Burman. We just received the comments as well and it is going to take some time to digest. I heard some of the issues and some things that I have is some language that is proposed in there. Having been involved in lots of contracts in the past getting the two sides to agree on the exact language takes time.

A resident stated I just thought the Board's work being on the Board where the Board goes off and you guys meet and the only discussions are during a Board meeting, you go off and do your thing but what is forcing anybody to get together to finalize any kind of permanent contract. Obviously we don't vote it is just a suggestion.

Mr. Burman stated I guess at this time the two parties are going to get together and talk.

<p>On MOTION by Mr. Pawlikowski seconded by Mr. Owen with all in favor the amendment to the management services agreement was approved.</p>
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**FOURTH ORDER OF BUSINESS**

**Public Hearing**

**A. Consideration of Resolution 2011-05 Adopting the Fiscal Year 2012 Budget and Relating to the Annual Appropriations**

Mr. Flint stated the next item on the agenda is the public hearing that was continued from your last meeting and I ask for a motion to open the public hearing.

On MOTION by Mr. Pawlikowski seconded by Mr. Owen with all in favor the public hearing was opened.

Mr. Flint stated at the last meeting I explained that the Board had previously approved a proposed budget and that budget was transmitted to Osceola County at least 60 days in advance of the public hearing and we also advertised the public hearing two times in the Orlando Sentinel. At the last meeting I asked the Board to consider continuing the public hearing so that staff could have some additional time to review an issue associated with the collection costs that are included in the debt service and the general fund budget. As a result you continued the public hearing to the meeting today and because it is a public hearing I will go ahead and open the floor for public comment on the proposed Fiscal Year 2012 budget and ask if any members of the audience have any comments on the proposed budget for the Board's consideration.

Hearing no public comment we will bring it back to the Board. Just to close the loop on the issue of collection costs, we had discussed that it is industry practice usually that there is a 4% discount for early payment and there are also collection costs the county charges the District for placing it on the tax bill, which typically is 2%. Often when you prepare budgets you gross it up by 6% so to collect \$100 you have to charge \$106 assuming everyone pays their tax bill on November 1. When the assessment methodology was prepared for the District and the bonds were issued the narrative discussed a 6% gross up but the actual numbers in the methodology only included a 4% gross up. That is the practice we have been following using the 4% versus 6%. When we were going through the bifurcation process this became apparent to us that there was a discrepancy in the methodology and that we were using the 4% versus 6%. We went back and looked historically at our actual experience to see if the 4% would be adequate and avoid the need for the Board to consider a 2% increase in the assessments to cover that difference and what we found is last fiscal year when you look at the general fund and the debt service funds together

we were short about \$10,000, which as a percentage is ½% so instead of 4% we probably should be at 4.5%. We looked at it this year, Fiscal Year 2011, and when you look at both of the budgets together it actually washed out and we pretty much broke even at 4%. Our thought was rather than go to the expense of a mailed notice and increasing assessments by 2% the cost associated with that and the aggravation that we continue to monitor it at 4% and to the extent there needs to be an adjustment that could be considered going into the next Fiscal Year 2013 with the caveat that the Board needs to understand if everyone comes in and pays their tax bill on November 1 or December 1 it is possible there could be some shortfall that would have to be covered by the general fund. We won't know what that is until next March or April so if I come back to you in March and say we are \$10,000 short I just want to make sure the Board is not surprised about that but you have over \$1 million in your operating reserve and the District could easily cover that \$10,000 through reserve funds. That is where we are on that issue. Our recommendation would be to leave it how it is, continue to monitor it and if we need to make an adjustment do that going into the next fiscal year. Also through this bifurcation the performing part of the bifurcation actually can be refunded in 2013 at a premium of 101% and in 2014 at par. It is very likely that in 2013 or 2014 the performing part of the bifurcated bonds are going to be refinanced and if that happens that would also provide an opportunity to adjust the percentages at that point. That is where we are, we didn't do the mailed notice for the 2% increase so I hope the Board is okay with my recommendation because I would have to turn back time to do it.

Are there any questions on that issue or on the proposed budget?

The action on the public hearing would be approval of Resolution 2011-05.

On MOTION by Mr. Pawlikowski seconded by Mr. Owen with all in favor Resolution 2011-05 was approved.

On MOTION by Mr. Pawlikowski seconded by Mr. Owen with all in favor the public hearing was closed.

**B. Consideration of Resolution 2011-06 Imposing Special Assessments and Certifying an Assessment Roll**

Mr. Flint stated the next item is a public hearing to consider the imposition of special assessments and you have Resolution 2011-06 in your agenda packet. This resolution has two exhibits, the first is the budget that was just approved by the Board and the second is the

assessment roll. I have a copy of the assessment roll here with me that reflects the per unit assessment amounts that were in the budget that you just approved.

On MOTION by Mr. Beekman seconded by Mr. Pawlikowski with all in favor the public hearing was opened.

Mr. Flint stated it is a public hearing so I ask if there are any members of the audience that have any comment on the resolution imposing assessments? It would be the assessments reflected in the budget that was just approved by the Board.

Hearing no public comment we will bring it back to the Board. You have Resolution 2011-06. Are there any questions on the resolution?

On MOTION by Mr. Burman seconded by Mr. Pawlikowski with all in favor Resolution 2011-06 was approved.

On MOTION by Mr. Pawlikowski seconded by Mr. Beekman with all in favor the public hearing was closed.

**FIFTH ORDER OF BUSINESS**

**Staff Reports**

**A. Attorney**

**i. Status of Pending Foreclosure Actions**

Mr. Little stated the outstanding suit in Reunion East is a foreclosure against Ginn Reunion Borrower. As I mentioned at last month's meeting we requested a motion to strike affirmative defenses of the Wells Fargo/Morgan Stanley defendant that were filed in an answer and as I told you last month the earliest we can get that hearing date was September 14<sup>th</sup> which is next Wednesday. Clearly not much has transpired in the interim but again I will reiterate what I said last month assuming we are successful and able to strike those affirmative defenses we will be in a position to move forward on a summary judgment.

**B. Engineer**

There not being any, the next item followed.

**C. Manager****i. CDD Action Items**

Mr. Flint stated we have the action items list in your agenda package. I still need to get with Mr. Searles on the first item regarding the nature trail entrance so I don't have an update on that. I think Steve has an update for the Board on the turnover of the irrigation system.

Mr. Boyd stated we are continuing to monitor the developer's progress on making improvements and modifications to the master irrigation system so that the CDD can initiate takeover of those facilities. Around the first of the year we sat down with Austin Outdoor to go over what needed to be done. They have been working on those improvements ever since. I just got an update and I would estimate they are between 60% and 70% complete with the items that need to be completed. Once we get that notice from them that everything is complete we will initiate the final inspection and acceptance of the system. All we can do at this point is monitor progress and report back to you.

Mr. Flint stated the turnover of the conservation area, Colt.

Mr. Little stated I don't have an update.

Mr. Searles stated I just got off the phone with Debra and what they are doing right now is they are doing the description of the easement on the west and I just sent them a check and that was sent to the water management district so that is moving along.

Mr. Flint stated the next item is the fitness center and we previously reported that the resort had painted the fitness center but we have the issue of the condition of the carpet that is in that facility. The management services agreement requires that any repairs over a certain dollar amount are the responsibility of the District. The replacement of that carpet does exceed the dollar thresholds in the management services agreement and I have handed out some bids that have been received for replacement of the carpet.

Mr. Scheerer stated there are four bids and three companies are bidding on the same product. It is a carpet tile and the average cost for that is anywhere from \$3,715 to \$4,796.45. The Matworks would not be carpet it would be the regular gym mats that you would see at any gym and would be a rubberized surface and it would be laid down and that would be the top of the line replacement. I think for the most part what they are looking to do is just get the old carpet that is in there, out of there and replace it with some sort of carpet. I don't know that you could do that with Matworks product.

Mr. Searles asked does that turnkey mean the installer is going to move all the equipment?

Mr. Scheerer responded no. I talked with the resort and the resort is going to move all of the fitness equipment, they are going to clean all the room, we are not going to have any hands on with that, the only thing we are going to be responsible for is the actual removal and installation of the carpet.

Mr. Harding stated some of the equipment from an operating standpoint is not operating very well. I guess the equipment is rented.

Mr. Searles stated yes but from the CDD's perspective that equipment isn't really a CDD issue so I have started a dialog with the resort about some issues.

Mr. Greenstein stated unfortunately I couldn't be here earlier for the discussion on the amendment to the management services agreement but the gist as I understand it was it will go on month to month and hopefully will work out. I think this particular issue was probably the one item that most homeowners could really identify with because they could not understand how a floor in a fitness center that is operated by the resort for the benefit primarily of resort guests, not necessarily the CDD community, how the CDD would have to pay \$4,500, it is not the amount of money it is the principal to replace that carpet. The equipment, the space may be CDD, the structure of the space might be CDD, concrete of the foundation might be CDD but it is outfitted to being a resort amenity. As a resort amenity everything requiring the operation of that resort amenity should be covered by our more than generous payment under that MSA. I would hope that Mike could look at the issue in anticipation of our reaching a revised agreement on the MSA that this is one of those things that will be corrected in the MSA. The MSA as written does require a \$2,500 cutoff so hopefully something other than the CDD paying the full freight on the replacement of the floor would be a great solution.

Mr. Searles stated as it relates to this specifically I will get with George and we will talk about that specifically but as it stands now it is part of the management services agreement. This is occurring under this current management services agreement so we are not looking to re-trade the deal we are just looking to get the carpet fixed. Going forward if the baseline for the dollar threshold is raised so be it but the carpet itself needs to be replaced. Working under the agreement we are working under now that is the terms of the agreement.

Mr. Greenstein stated you can take that approach and we will consider it as we move forward and make recommendations to the Board.

Mr. Burman stated it may not be a question of raising the limit but maybe eliminating some of the subjectivity of the language is probably more important than the limit as to what actually caused the damage, who belongs to what, all that sort of stuff is probably a more important issue.

On MOTION by Mr. Burman seconded by Mr. Pawlikowski with all in favor the proposal from Ronnie's Carpets was approved.

**ii. Approval of Check Register**

Mr. Flint stated you have the check register in your agenda packet for the general fund checks 1881 through 1894 and payroll checks 50053 through 50057 totaling \$108,153.43 and the detail is behind the summary. If you have any questions on the register I will try to answer those for you and if not I ask for a motion to approve the register.

On MOTION by Mr. Pawlikowski seconded by Mr. Burman with all in favor the check register was approved.

**iii. Balance Sheet and Income Statement**

Mr. Flint stated you also have the balance sheet and income statement through July 31<sup>st</sup>, there is no action required by the Board but if you have any questions on the financials I will try to answer those for you.

**iv. Status of Direct Bill Assessments**

Mr. Flint stated we also provided a schedule of the direct bill assessments and the status of those has not changed.

**SIXTH ORDER OF BUSINESS**

**Other Business**

There not being any, the next item followed.

**SEVENTH ORDER OF BUSINESS**

**Supervisor's Requests**

There not being any, the next item followed.

**EIGHTH ORDER OF BUSINESS**

**Audience Comments**

Mr. Harding stated there are a few maintenance type issues with CDD properties that I think need to be addressed. Some of the sidewalks on Radiant where they have the ramps and the bricks there are bricks missing and it is a trip hazard. It has been that way for some time and I think those cycles are CDD. The spa at the pool hasn't been working the electric is torn out or whatever I don't know what the issue is but it doesn't work.

Mr. Scheerer stated I will look into that. We were out there this week. Typically when they don't work there is a red emergency button on there.

Mr. Harding stated the emergency button was pushed in. The doors for the restrooms don't operate properly either, you have to shove them to open them and they may need to be fixed as well. I guess the gate is being taken care of.

Mr. Scheerer stated yes. Unfortunately we didn't catch who did the damage but they are in the process of getting that gate repaired. It has been turned over to insurance it is \$2,400.

Mr. Harding stated it seems like some of the people that go to the Heritage Crossing meeting rooms sometimes they come over and exercise and the temperature is kept so low. It seems like that would be surveyed a little more in terms of efficiencies for the building, spending money unnecessarily.

I do want to thank the CDD Board with regard to the striping of the bridges and all that stuff it really looks good, the landscaping on the west side and those kinds of things. I also want to thank you for supporting us on the Neighborhood Watch signs and allowing us to put those up in various areas throughout the community and we are wanting to put up some more and I'm working with David's people to get some more up.

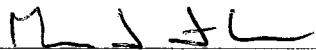
Mr. Flint stated any time you have a maintenance concern please call Alan because we don't need to wait for a Board meeting.

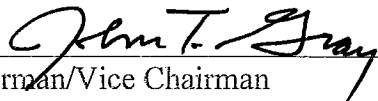
Mr. Scheerer stated the spa issue is kind of surprising. We are there every week, we have staff there every single day, seven days a week so if I'm missing it or the pool staff is missing it we will get that corrected.

Mr. Harding asked have you noticed the sidewalks as far as the missing bricks?

Mr. Scheerer responded no, I spend most of my time driving around and I guess I need to spend a little more time in a golf cart or something.

On MOTION by Mr. Pawlikowski seconded by Mr. Burman with all in favor the meeting adjourned at 2:40 p.m.

  
Secretary/Assistant Secretary

  
Chairman/Vice Chairman