

The Crossings at Fleming Island CDD
Board of Supervisors Meeting Minutes
Thursday, October 15, 2020
1880 Eagle Harbor Parkway
Fleming Island, Florida

(Please note: This is not verbatim, a CD recording of the board meeting is available on file for review).

Board Members Present

John Tabor, Chairman
Mike Bruno, Vice Chairman
Robb Rush, Supervisor
Zane Butler, Supervisor
Tom Burt, Supervisor

Staff Present

Sam Garrison, District Counsel, Kopelousos, Bradley & Garrison
Steve Andersen, District Manager and Operations Manager, Eagle Harbor
James Perry, District Administrator, Governmental Management Services, LLC
David Plevin, Hampton Golf
14 residents

I - Roll Call

Chairman Tabor called the meeting to order at 6:00 p.m. and Mr. Perry called the roll.

II - Pledge of Allegiance

III - Public Comment

Mr. Herold, former supervisor and candidate for seat no. 2, stated, I want to take this opportunity to say great job to this board, the management team and amenity staff for two very important financial items. First, performing under budget for the fiscal year that ended last month.

You were able to make contributions to the reserve fund and the unforeseen account in the last fiscal year. These accounts were both established when Chairman Tabor and I were in our early years of the board. A healthy reserve fund will continue to allow CDD boards in the future to fund capital improvements and keep Eagle Harbor a premier community in Northeast Florida. The unforeseen account provides protection to the community; we probably all remember when Waterfront was under 4-feet of water. It keeps the board from having to pass surprise increased assessments due to expenses from a catastrophic event that are not completely covered by our insurance.

IV - Approval of Consent Agenda

- A. Approval of the Minutes of the September 17, 2020 Meeting**

- B. Financial Statements**

- C. Check Register**

Supervisor Butler moved to approve the consent agenda items to include a change to the minutes. Vice Chairman Bruno seconded the motion. Motion passed 5 - 0

V - Management Team Reports

A. District Counsel

Mr. Garrison stated we have a meeting scheduled next month on the litigation involving the tax certificate. It is not a mediation, but it is a meeting with opposing counsel downtown. It has been in abeyance due to COVID, but it is time to get it moving again.

B. Tree Amigos - Report

A copy of the report was included as part of the agenda package.

C. Hampton Golf - Report

Mr. Plevin updated the board on the golf course and Talons.

D. District Manager & Operations- Report

Mr. Andersen went over the changes in the golf report then reviewed the monthly facility report.

VI - Supervisor's Requests and Audience Comments

Mr. Heinton stated The Crossings at Fleming Island CDD website says the district engineer's responsibilities include preparation and supervision of construction projects. Did that district engineer perform those responsibilities on the six projects we paid the project manager to do? September 17, 2020 board minutes indicate the board authorized staff to move forward on the pickleball court construction. Is the district engineer going to supervise that construction and do we know the estimated cost of the project? It is my understanding that the board of supervisors did not obtain a written opinion from the district counsel regarding potential liability exposure in operations related to the CDD directly hiring employees versus contracting out for their services? I'm curious as to why we didn't do that.

Mr. Andersen stated the district engineer was not involved in the six projects.

Chairman Tabor stated the district engineer is Keith Hadden. What is his role and where does he fit into all of this?

Mr. Andersen stated he is our district engineer and is used for reports such as the public facilities reports and engineering reports we have to do for our bonds. He also helps with the annual water/sewer report. He is also used for any engineering work that may be required for projects.

Chairman Tabor stated the district engineer had a much more significant role when the community was being built out because the infrastructure was being constructed, roads, stormwater management system and water/sewer system. He has an ongoing role associated with the water/sewer system and we can talk to you about that offline. Under our bond indenture and because of the relationship with Clay County Utilities we are required to have the engineer involved in that process. We are not building any new communities at this point. His role is much simpler these days than it was 25 years ago.

Mr. Andersen stated in the past the engineer was responsible for constructions projects financed by the bonds.

Chairman Tabor stated we can clarify what is on the website.

Mr. Andersen stated that we are clearing the land for the pickleball courts. After clearing we will obtain contractor proposals that will be brought to the board for approval. It is the same process we do on all large projects.

Chairman Tabor stated the last question as to any liability risks associated with having employees versus contracting. The pros and cons of that were discussed at length. I don't think there was a written liability opinion requested because I'm not sure it was necessary.

Mr. Garrison stated the question was if a written opinion was requested and the answer is no. We had a robust discussion as a board about the pros and cons and those issues were part of that discussion. Ultimately, the board made a decision to take a course of action. Part of my job is to have this conversation as a group and individually.

Chairman Tabor stated it is a matter of operating philosophy and policy.

Mr. Heinton stated the question was really more about the legal implications in terms of our exposure and liability being an employer opposed to contracting.

Mr. Garrison stated it is a risk/reward calculus. If you have a purely contract basis your liability decreases. If you are hiring and firing, you have more control, but you also assume certain risks associated with that and that is part of the discussion we had.

Mr. DiMaio-Leach stated when you were talking about the \$150,000 taken from the general fund to subsidize the golf. There were other sums of money that were passed across and I believe they were primary when it came to repaying even before the bonds. Has anyone every been repaid?

Mr. Garrison stated the bondholders have first priority and that is not going to change.

Supervisor Burt stated there has been a lot of communication on social media, some of the candidates took it upon themselves to hand out what I consider an attack on me and I'm not even a candidate. I will address two things because the rest of it is ridiculous. My personal agenda is being questioned and my personal agenda is to do God's will and show God's love and live life with a passion. As far as the role on the board when I ran it was very simple, quality of life and property values. Property values also have to do with being a good steward of assessment dollars. The second thing I want to address is I'm being accused of being disruptive from day one. I'm going to call out the people. Dave is here and I don't know if James Ellisor is, I have never met him before, I have never seen him at a meeting, but he was obviously a mouthpiece for some individuals in this room. I didn't steal anybody's horse. If being disruptive is asking questions at a board meeting, I ask a lot of questions. I feel it is my responsibility. I read a statement in August

of three different things that I didn't vote for on the board, but I knew the board would pass it, because four members of the board generally vote in conjunction with one another and it was a statement. It was a statement about how we spend our money and where it goes. The project management fees were not a question but brought up and I questioned them. I will tell you why I questioned them and why I feel that I have the knowledge of project management fees relative to what they should be and where they should go. I run a consulting company and we do business with the largest construction company in the southeast. I am the vice president of the construction financial managers association for Northeast Florida. I meet with construction CFOs and attorneys on a regular basis. The 10% project management fee that was negotiated with GMS is questionable, but those fees are extremely high and then to renegotiate it at 6% with the district manager as a government employee doesn't make it any better. I would appreciate the difference of opinion being respected because I certainly respect all of you in this room and all the residents of Eagle Harbor. We have some brilliant minds in this community and a lot of them are running for the board. When you look at their backgrounds, I think it is a wonderful thing for this community. Let's make this community great, I think it is great there are so many people here paying attention to what is going on. Let's be a little more civil in writing and on social media.

Mr. Tabor stated the project management fee has come up twice tonight even though people don't want to talk about it. My understanding is that there is some requirement under state statute is there not? What is the genesis of the management fee?

Mr. Perry stated it is for the project management of any of these certain projects that the district is going to move forward with and the other option typically is to have an engineer involved. The engineering firms typically charge in excess of 12% on almost all those projects.

Mr. Tabor stated this was not something unique to the Crossings, this board 25 years ago didn't just make it up.

Mr. Perry stated basically the board was looking at, do we use the engineer whose fees are going to be higher than the 10% or 12% that is pretty standard throughout the state for oversight of these types of projects.

Mr. Tabor asked how many CDDs does your firm work with?

Mr. Perry responded 160+. Most of them use the district engineer.

Mr. Tabor stated that the CDD used your firm to do project management with this district at 10% until a couple years ago. My understanding is that the idea that you could go bare was not acceptable. That could be a liability risk with the various entities that exercise oversight.

Mr. Perry stated yes.

Mr. Heinton stated maybe the real issue is, what is the definition of a project. I think Tom's example is spot on. You can hire someone to replace a dock and that is not a project. I looked through the minutes and I see reference to projects, and I see reference to approving a project management fee. I don't see the cost of those projects and I don't see the fee paid on those projects. I would like that to be in the public record.

Supervisor Rush stated keep in mind, our minutes are summaries, they don't have all the details.

Mr. Tabor stated if you see Steve in his office, he will get your answers to the questions. Under the previous contract we had an obligation to GMS that if it was a dollar amount, they got paid on it.

Supervisor Rush asked what is the normal project management fee in your experience?

Supervisor Burt stated there would be no project management fee of a \$280,000 dock refurbishing or rebuilding the tennis courts. Usually there is a general contractor involved.

Mr. Tabor stated any supervisor has the opportunity to come fully informed, fully educated, fully prepared to make any proposal to this board if it is in the best interest of the community and everyone is welcome to do that and they have never been discouraged from doing that. If you think that project management fee should be restructured in some way, given the constraints we may have from a legal standpoint you are welcome to make that proposal and I welcome hearing the details of it.

Supervisor Butler read into the record the following prepared remarks. After being blindsided by Supervisor Burt's statement at our August 27, 2020 meeting and feeling insulted by some of his accusations, I felt compelled to do a little research for myself. To correct some information that was stated at the end of the August 27, 2020 meeting by Supervisor Burt from what I perceived as his attempt to diminish what the board has accomplished over the years, I would ask that the following statement be put in the minutes.

During the meeting Supervisor Burt voted not to approve the general fund budget in part because as he stated, "the bond is reaching maturity in a couple of years causing the community's

credit rating to plummet". This statement is incorrect. As previously discussed at a prior meeting, the revenue bond's trustee stated on December 12, 2019 that the recourse available to holders does not change when the bonds mature – they have the same rights/remedies as they do now in light of the default. In short, our credit rating is not affected by the bonds maturing because they are already in default. As you know the board continues to review options addressing this matter.

Every year we have a study done by an independent outside firm, National Golf Foundation, to ensure the Eagle Harbor Golf Club is being run efficiently and properly. These reports have shown that the Eagle Harbor Golf Club is not only being operated in an efficient and proper manner but is one of the best run operations in the Jacksonville metro area. In addition, the Eagle Harbor Golf Club is audited annually by an outside professional firm, McDirmit Davis, and they have found no issues.

Supervisor Burt also stated some very misleading information about our district manager Steve Andersen's salary. Steve is paid \$120,000 annually. At Steve's request and solely for the cost savings to the residents of Eagle Harbor he has chosen not to receive any health or retirement benefits. Prior to June 2018, the CDD paid for three different positions. District Manager, Operations Manager and General Manager at a total cost to the CDD of approximately \$207,000 plus benefits. In June 2018, all three of these positions were consolidated into one, saving the community almost \$90,000 per year. This does not factor in the considerable savings on not providing the previously mentioned benefits. I will reiterate, a \$90,000 plus savings every year to the community with outstanding service!

Supervisor Burt also has a problem with our district manager, Steve Andersen, receiving a project management fee for select projects that the board asks him to do. These projects are outside of his contractual obligations. There are certain large and/or complex projects that the CDD has done over the last few years that required a project manager, construction manager and/or designer. Prior to June 2018, the CDD had only 1 option to procure these services: hire an outside firm. The CDD used GMS and paid 10% of the total cost of every project over \$25,000. In June 2018, when Steve Andersen was hired as the district manager, Steve offered to perform the services of project manager, construction manager and/or designer to the CDD board for 6% and only for projects that the board deemed worthy. This rate was 40% lower than before and greatly limited the projects that would qualify for the fee. Instead of bemoaning the amount Steve earned in

performing duties outside his contract and job description, Supervisor Burt should be applauding the savings to the community – and the savings have been considerable.

Over the past 2 plus years the CDD has realized savings of over \$140,000 by using Steve for these services as well as having 18 projects completed with no project management fee. Supervisor Burt stated, “this is clearly not in the community’s best interest”. Apparently, Supervisor Burt would have rather paid an outside firm with no vested interest in Eagle Harbor, \$140,000 more than to pay Steve who completed all of these projects on time, below budget and with the highest quality and service to our community.

Finally, and perhaps most importantly, the savings from combining 3 positions and using Steve Andersen for select projects, has resulted in savings of over \$300,000 to all Eagle Harbor residents, in just the first 2 years. Steve puts his heart and soul into the community. He is onsite and readily available to the residents and the board. He is professional and encourages feedback and questions from anyone that requires it no matter the time of day – even on weekends. I would like to say Supervisor Burt has it all wrong. This is clearly in the best interest of our community.

Mr. Tabor stated I don’t know if it struck anybody else but there has been discussion about the amount that has been paid, there has been nothing about the quality of the work performed. There has been no criticism about the end result of the management of these projects. Nobody has complained, no docks collapsed, we haven’t had any faulty work, we haven’t been ripped off by any contractors. The quality of the work has been exemplary. If you have an issue with the amount paid, that can be an issue for negotiation and should be handled within the purview of the board with proper debate and proper preparation and proper homework and proper understanding of context and we will go from there.

VII Next Scheduled Meeting – November 19, 2020

VIII – Adjournment

Hearing no objection, the Chairman adjourned the meeting at 7:24 p.m.



Secretary/Assistant Secretary



Chairman/Vice Chairman