

ROLLING HILLS
COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Rolling Hills Community Development District was held Monday, September 25, 2017 at 6:00 p.m. in the Rolling Hills Amenity Center, 3212 Bradley Creek Parkway, Green Cove Springs, Florida 32043.

Present and constituting a quorum were:

Bill Tew	Chairman (by telephone)
Jody Smith	Vice Chairman
Rose Bock	Supervisor
Kurt von der Osten	Supervisor
Stephen Grossman	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel (by telephone)
Keith Hadden	District Engineer
Freddie Oca	Amenity Center Manager
Brian Stephens	Operations Manager

FIRST ORDER OF BUSINESS

Roll Call

Mr. Oliver called the meeting to order at 6:00 p.m.

SECOND ORDER OF BUSINESS

Audience Comments

There not being any, the next item followed.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the June 7, 2017 Meeting

On MOTION by Mr. Smith seconded by Mr. Grossman with all in favor the minutes of the June 7, 2017 meeting were approved as presented.

FOURTH ORDER OF BUSINESS

Public Hearing Adopting the Budget for Fiscal Year 2018

A. Consideration of Resolution 2017-05 Relating to the Annual Appropriations and Adopting the Budget for Fiscal Year 2018

Mr. Oliver reviewed in detail the district's history, election process, budget process, budget amendment process and then gave a slideshow presentation of the fiscal year 2018 budget revenues then expenditures in administrative, field operations, amenity center, assessment rates and debt service fund budgets.

Mr. Smith asked did we increase the funding for solid waste pickup?

Mr. Oca stated we went to twice a week pickup then back to once a week with a 12 yard dumpster.

Mr. Oliver stated the dumpster is intended only for refuse generated by this amenity center. It is not for household goods.

Mr. Smith stated increased staffing we don't have to discuss how that is broken down now.

Mr. Oliver stated you will consider an agreement for the next fiscal year.

Ms. Bock stated I see the line items that had to go up it is something that could be impacted by more homes being closed or more activities and it makes sense to me and is logical and the fact that we can make alterations as we go through the year.

Mr. Oliver stated I think the fact that we can amend the budget throughout the year gives us that opportunity to adjust line items and the dumpster is a good example of that. We incurred higher charges and found a way to lower those charges.

Mr. Smith stated I'm good with the budget as long as we have the flexibility to move things as we see fit such as staffing and other things and landscaping is going to be a moving target.

On MOTION by Ms. Bock seconded by Mr. Smith with all in favor the public hearing was opened.
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Mr. Oliver stated I will ask that one person talk at a time. This is your opportunity to make comment on the budget before it is adopted. If it is to talk about a dissatisfaction with a particular level of service or other non-budget matter, I will ask you to hold that comment until we get to public comments. Let's focus on the budget right now so the board to hear the comments and realize some resident comments may conflict those of others, as different people

will have differing priorities. This is the board's opportunity to hear resident comments about the budget,

Mr. Smith stated right now we want comments on the budget and after the public hearing we will talk about all the other issues.

A resident asked can you tell me what telephone expenses are?

Mr. Oliver stated it is for things such as this conference call.

A resident stated travel & per diem.

Mr. Oliver stated that is actually mileage.

A resident stated it is minor but why are the supervisor's fees \$6,000 and you get \$200 per meeting and there are five of you.

Mr. Oliver stated travel & per diem is authorized through Chapter 112, F.S. and mileage is paid at the prevailing rate of .445¢ per mile.

A resident stated the supervisors fees by statute can only be \$200 per meeting. What statute do I look at for your pay?

Mr. Oliver stated there is a management fee in the budget paid to the company which employs me.

A resident asked why are you budgeting \$6,000 for supervisors' fees if they are not taking the money?

Mr. Oliver stated we budget \$200 per meeting per supervisor and sometimes supervisors can't attend a meeting and if they don't attend they don't get paid. Jody waives his pay.

A resident stated other supervisors also waive their fee.

Mr. Oliver stated for instance Bill Tew is on the telephone line today and he is waiving his pay because he didn't travel to the meeting. He certainly could be paid for this but he has waived that.

A resident asked then where does that money go?

Mr. Oliver stated it is not like the federal budget in which you use it or lose it. If the CDD generates a budget surplus, it stays in the general fund and you will have it carried over for the next year.

A resident asked if the maximum is \$4,800 why are you budgeting \$6,000?

Mr. Oliver stated you budget for it that doesn't mean you spend it. You could have a series of extra meetings and it could be \$6,000.

Mr. Smith stated if we have to have a meeting for example to approve a contract before the next regular meeting there is flexibility built into the budget for the expense of pulling all these people together to have a meeting to get something done for the benefit of the community.

A resident asked does that excess go into the reserves and if so where are the reserves accounted for in the budget?

Mr. Oliver stated any surplus stays in the general fund. Mr. von der Osten stated there is a carry forward each year and that is where that money goes, it goes into the next year. The financial reports are later in the meeting. As with all previous fiscal years, the district assessments on platted lots cover only a portion of the budget and the developer contributions make up the difference. If you look at the budget revenues for FY17, \$320,000 of O&M assessments were levied, with the developer agreeing to backstop or deficit fund up to \$217,000 as funds were needed.

A resident asked are you saying if our expenditures exceeded this in the past they paid the excess?

Mr. Oliver responded yes, expenditures exceed collected assessments and the developer has been paying the difference. When we run out of assessments and that happens about the middle of the year we send the developer a funding request with copies of accounts payable report and the supporting invoices.

A resident asked do they pay that because they are contracted to pay that or do they pay that because they want to sell lots?

Mr. Oliver stated they are contractually obligated by agreeing to and signing the developer funding agreement in which they fund the shortfall. For FY18, assessments will be increased on undeveloped lands and the a developer funding agreement will not be used.

A resident asked why do we go that route?

Mr. Oliver responded so this district, like other CDDs, can be self-sufficient.

A resident asked how much property does the developer still own?

Mr. Oliver responded probably right at about half of it. The on-roll assessments the residents are paying \$268,000 and the direct bill for the homebuilders as well as the developer is \$274,000, so they are paying a little over half.

A resident stated I was under the impression that we were no longer doing non-resident fees to use the amenities.

Mr. Oliver stated Florida Statute requires non-residents have the opportunity to pay a non-resident fee to use the facilities. This is true for all CDD recreation facilities that were constructed with public funds. In reality, the annual membership fee here and at other CDDs is relatively expensive and very few people take advantage of it. This and future Boardscan always hold rate hearings to increase that fee whenever necessary to factor in market conditions. It is probably set at the original fee that was established.

A resident asked can we hire someone to handle security for the district?

Mr. Oliver responded the District uses off duty Clay County Sheriff Officers for periodic patrolling. Some places use private security. A resident asked do we have a deputy on call all the time in this neighborhood?

Mr. Oliver responded no.

Mr. Smith stated we have been using off duty deputies and that is probably going to adjust a little bit this new fiscal year.

A resident asked is there no room in the budget for an on-call deputy?

Mr. Oliver responded not for this year. I think what we need to do is to define the problem then we will look at different ways to address it.

A resident stated I know maintenance and irrigation went up but you have nothing in the new budget for the back.

Mr. Oliver stated that back is going to be a decision made by this board in consultation with the developer and homebuilders of what areas will be irrigated and which will not be irrigated.

A resident asked can you tell us what the capital reserve is?

Mr. Oliver responded the capital reserve in theory would be to set aside funding for repairs and replacement of capital items. Right now there is no capital reserve. As this board transitions to resident control, the future Board may decide to levy additional assessments to build a capital reserve fund.

A resident asked would the developer or builders be willing to help us by putting money in capital reserves so we can start building them? With some of these contracts we have can we review those for accountability and if they don't perform can we get the money back for not performing their duties?

Mr. Oliver stated there is no contractual obligation between the homebuilders and the district.

A resident stated there should be a mechanism if they are not performing they have to give the money back to the community. Most of the comments you are going to hear is they are not meeting this, that, they are not doing that.

Mr. Oliver stated I agree we should hold vendors accountable. District counsel includes in all maintenance or service agreements that the district can terminate that contract at will with a 30 day notice.

A resident stated with the developer only having 12 months left maybe he would leave us with some sort of reserve and not leave us high and dry.

Mr. Oliver stated the advantage of changing the assessment formula is that for the FY19 budget process, the Board can decide to levy a capital reserve fund assessment in addition to the O&M assessment and they can levy that on all landowners so all 761 lots are paying capital reserve. I've frequently asked the developer for assistance if we have some important projects that the board needs to handle and we don't have the money to do it. The developer also funded at significant cost all this deferred maintenance when there wasn't a capital reserve to pay for that.

A resident asked why can't we put capital reserves in this budget?

Mr. Oliver stated you can, but our hands have been tied because we could only increase the assessments by \$60 a year. When you do increase it \$60 are you going to put that towards capital reserves, landscaping, staffing? Going forward for FY19, you will be able to assess whatever you need and the most difficult thing is to decide what gets cut from the budget to avoid a sharp increase in assessments to fund some of the ideas we have discussed tonight.

A resident asked are your bids public?

Mr. Oliver responded yes.

On MOTION by Mr. Smith seconded by Mr. von der Osten with all in favor the public hearing was closed.

Ms. Buchanan stated there are two resolutions in your agenda package, the first adopts the budget and is called the appropriations resolution. This resolution identifies the different funds that we have including the general fund, debt service reserve fund for the 2015A-1, A2 and

A3 Bonds. It makes findings that the board approved a proposed budget then ultimately adopts it in accordance with what we discussed today. The resolution directs the district manager to keep copies of the budget in the local records office. The board has the ability to adjust line items and the district manager can increase items within a fund if necessary as long as that modification does not exceed \$10,000. You can come back and alter your budget in the future.

On MOTION by Mr. Smith seconded by Ms. Bock with all in favor Resolution 2017-05 was approved.

B. Consideration of Resolution 2017-06 Imposing Special Assessments and Certifying an Assessment Roll for Fiscal Year 2018

Ms. Buchanan stated the second resolution the board has to consider is 2017-06 and is what we call the assessment resolution. There are two components to your assessments, the first is the debt service, which was previously levied and the second is the operations and maintenance portion, which we adopt every year. In this particular district we are including the debt, which we will certify for collection and the operations and maintenance, which is increasing \$60. In section 3 you will see certain of these assessments will be collected on the tax roll and a portion for the unplatted lands will be collected via direct bill. The schedule is in section 3B and that identifies that the operations and maintenance assessments will be paid on the unplatted lands on a quarterly schedule and it also identifies the due dates for the debt service payment for the unplatted land. Should the direct collect not be paid the district would have the ability and authority to move forward with a foreclosure action under this resolution. Section 4 adopts the assessment roll, which Jim has prepared and will attach to this resolution as an exhibit. Section 5 authorizes the district manager to make adjustments necessary prior to filing with the county.

On MOTION by Ms. Bock seconded by Mr. Grossman with all in favor Resolution 2017-06 was approved.

C. Consideration of Developer Funding Agreement for Fiscal Year 2017/2018

Ms. Buchanan stated the third document is similar to what we adopted in prior years and this is the developer funding agreement. As noted the developer's unplatted lands do receive an assessment and in addition to the assessment that they receive they have an obligation to pay a

deficit if that exists between the amount of money the district spends and the amount of assessments the district collects. This agreement provides that the developer has a requirement to deficit fund the district to cover the gap between collected assessments and actual expenses.

On MOTION by Mr. Smith seconded by Mr. von der Osten with all in favor the fiscal year 2018 developer funding with CBCP Rolling Hills Landco, LLC agreement was approved.

FIFTH ORDER OF BUSINESS

Consideration of Resolution 2017-07 Designating a Primary Administrative Office

Mr. Oliver stated next is consideration of Resolution 2017-07 designating a primary administrative office. My office at World Golf Village is the primary records office of the district and that is where we keep all the official records of the district. However, you need to have a records office in the county in which the CDD is established so the primary administrative office for the sake of that venue is this building in Freddie’s office.

On MOTION by Mr. Smith seconded by Ms. Bock with all in favor Resolution 2017-07 was approved.

SIXTH ORDER OF BUSINESS

Acceptance of the Fiscal Year 2016 Audit Report

Mr. Oliver stated the next item is acceptance of the fiscal year 2016 audit report. There is a copy of the audit report in your agenda packet. An independent audit is required by Florida Statute to be performed each year on every form of government including CDDs. Berger Toombs Elam Gaines & Frank was the audit firm selected through the RFP process the district went through. The audit was provided to the auditor general by the June 30th deadline we just haven’t met since then and a copy has been posted to the website.

On page 2 of the opinion letter you will see that the auditor writes, in our opinion the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities in each major fund of Rolling Hills CDD as of September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. The next several pages are management discussion and analysis and following those you will see the actual year end financials for FY16. After you go through the actual financials you will see the notes to the financial statements. Those put into narrative what is included in

the annual financials. On page 30 I want to point out Note H in the notes to the financial statements, economic dependency and related parties, it says a substantial portion of the district's activity is dependent upon the continued involvement of the developer, the loss of which would have a materially adverse effect on the district. As of September 30, 2016 the developer held the majority of the assessable property located within district boundaries. The developer pays special assessments on land it owns and has agreed to partially fund operations of the district where special assessments were not sufficient. This is the developer funding agreement that Katie alluded to. The amount contributed by the developer for district operations during the year ended September 30, 2016 was \$197,975. In addition the developer contributed \$216,343 in connection with the bond refunding and exchange of the Series 2006 A/B Capital Improvement Bonds. That was the refinancing that was done. On page 31 is the independent auditor's report on internal control over financial reporting. The last paragraph on page 31 the auditor writes, we did not identify any deficiencies in internal control that we consider to be material weaknesses. Then you see the management letter and one of the findings you will see on page 33 that the district made in connection with the FY2012 audit, the district did not make our required debt service payments. This was back when you had the original developer and those debt service payments weren't paid. To address that the current status is the district issued the Series 2015 Bonds to refund in exchange the Series 2006 Bonds and the district made all debt service payments the year ended September 2016. That is why the bonds were restructured and 2014-01 the debt service reserve requirement was not met during the fiscal year and again that was fixed as we did the bond exchange and restructuring.

Florida Statutes Section 10.554(1)(i)5.a, rules of the auditor general requires that the auditor report the results of determination as to whether or not the Rolling Hills Community Development District has met one or more of the conditions described in Section 218.503(1) is asking are there any triggers that would determine we are in a state of financial emergency and the last sentence says, we determined Rolling Hills CDD did not meet one of the conditions described in that section. That is a good thing. The next one as required by the rules of the auditor general the scope of our audit included review of the provisions of 218.415, F.S. regarding the investment of public funds. The auditors determined Rolling Hills CDD complied with section 218.415. Section 10.554(1)(i)2, requires that the auditor address in the management letter any recommendations to improve financial management in connection with the audit and

they did not have any such recommendations. Section 10.554(1)(i)3 the rules of the auditor general require that the auditor address non-compliance with provisions of contracts or grant agreements or abuse that occurred or likely to have occurred that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance in connection with our audit and we didn't have any such findings.

It was a clean audit but you still have to deal with the fact that there were some non-payments in years past but you are current on the debt service now due to the restructuring. You have a good audit that investors like to see and it could be when you have a resident board down the road this district may want to issue additional bonds if you want to expand your recreational facilities and it is good to have a good rating.

On MOTION by Mr. Grossman seconded by Ms. Bock with all in favor the fiscal year 2016 audit was accepted.

SEVENTH ORDER OF BUSINESS

Ratification of Renewal of Pool Use Agreement with Clay High School Swim Team

Mr. Oliver stated this was granted to the vice chairman at our last meeting. Since then the school has not only been practicing but they have had a couple of meets and we are looking for the board to ratify that renewal.

On MOTION by Mr. Smith seconded by Ms. Bock with all in favor renewal of the pool use agreement with Clay High School Swim Team was ratified.

EIGHTH ORDER OF BUSINESS

Ratification of Revisions to Amenity Policies

Mr. Oliver stated the next item is something that was discussed at the last meeting and it was ratification of a change to the policies. If you look at the redline version on page 2 you will see that for a nanny, which is described as a caregiver designated by a resident or annual pass holder to accompany a resident or annual pass holder's children, under the age of 14 for use of facilities or amenities and the nanny must be at least 18 years of age, in the past we had that at 13 years old for the children and now it is for children under the age of 14 be accompanied by a

nanny and we cleaned that up, the nanny must be at least 18 years old. This is just ratifying what the board previously approved.

On MOTION by Ms. Bock seconded by Mr. Smith with all in favor the revisions to the amenity center policy were ratified.

NINTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

TENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

Mr. Hadden stated I want to talk about hurricanes. We came out very well compared to a lot of Clay County and a lot of Northeast Florida. I want to explain to the residents here about flooding. When you build a development like this you build retention ponds and the whole intent is to stop the water from going offsite very quickly and flooding people who are downstream of you. All of the undeveloped property in Rolling Hills is downstream of all of you. The ponds are designed to contain a 100-year storm event before they go into overflow condition. You will see the control structure by the ponds and those are designed to hold up to a 25-year storm. The height system in your roads is only designed for a 5-year system but this is all safe standards. The reason for that is the pipes take a lot of the water then it goes over that the road becomes lakes. We designed the center of the road so that ambulances could still get through and you could probably drive your cars out here. You have to realize the storm the best I can tell here was a 125-year event, we had a 150 year event in Middleburg at the fire station so you are close to 150-year event. They closed the bridges because they were designed to hold a 100-year storm. When the state and county closed those down that was an indication that this was the greatest one we had.

A resident stated what about our three houses?

Mr. Hadden asked did you have water in your house?

A resident stated no it was up to the porch.

A resident stated everything he said was true but when you have a developer or builder destroy the integrity of the piping system that didn't allow the water to run away. I had a representative from the water management district there.

A resident stated we are on the preserve and we were told the pipes behind our houses was crushed and the water came up to the porches then we were told there was no drainage back there.

Mr. Hadden stated there is no drainage back there. There will be drainage that goes down and underneath the road, but that isn't in yet. I will take a look at that because I designed everything out here and it shouldn't hold water.

C. Manager – Discussion of Meeting Dates for Fiscal Year 2018

Mr. Oliver stated we need to set the meeting schedule for FY18 and in front of the supervisors we have proposed meeting dates of December 6, February 7, April 4, June 6 and August 1. You can call special meetings if you need to. I anticipate later in the year moving the August 1 date back a little bit but we want to adopt the budget next year in August so we don't have to deal with a hurricane pushing it back in September.

On MOTION by Ms. Bock seconded by Mr. Smith with all in favor the fiscal year 2018 meeting schedule was approved as follows: December 6, 2017, February 7, 2018, April 4, 2018, June 6, 2018 and August 1, 2018.

Mr. Oliver stated I had a resident tell me that meetings on Wednesday nights conflicted with other events and meeting. I would like to propose that I get with board and staff and look at some other options where we can all get together and maybe have these meetings on a Tuesday or Thursday night.. I would like to approve this for now and we can come up with an adjusted schedule.

D. Operations/Amenity Manger – Report

Mr. Stephens gave an overview of the operations manager's report.

Mr. Oca gave an overview of the amenity center report.

ELEVENTH ORDER OF BUSINESS Supervisors Requests

Mr. Smith asked where are we with the speed survey?

Mr. Hadden responded I'm having two done, one here and one at another community they were both scheduled the week of the hurricane and were canceled. I reached out to them last Friday and said I know why they were all cancelled but can you tell me before Monday night and I haven't heard back.

Mr. Smith asked once the speed survey is done how quick is the turnaround so we can get enforceable speed limit signs posted and start getting that enforced?

Mr. Hadden responded 45 days.

Mr. Smith asked does the board need to designate me or Freddie or somebody specific that can sign a trespass? That has been a problem if our off duty officers are here and there is an issue they need someone able to sign a trespass.

Mr. Oliver stated I will get with Gary Cross who is with the sheriff's office who is also the chairman at Eagle Landing and find out what the procedures are for Clay County. We will provide whatever documentation they need so they can issue trespass warrants.

Mr. Smith stated I want to talk about our budget and when it comes to long term changes in the back and we talked about this on Friday. The developer is receptive to having this conversation but the amount of money to irrigate and landscape something on that scale is probably \$50,000. Obviously, that is not going to be in this year's budget but that is something for the next budget year on that is going to be a discussion item that the residents will have to take up. If we want to get that done it is going to impact how much our assessments go up.

A resident asked why not push on the developer if he is receptive rather than putting it all on us?

Mr. Oliver stated the developer has already been asked if he would irrigate and sod those areas and they said no they do not want to fund that and they are not required to fund that. We are going to do a new scope for landscaping and go out to bid but it has to be a clear scope so that someone can be held accountable. We will go through the bid process, the board will evaluate the proposals and pick the best value, not necessarily the cheapest, not necessarily the most expensive. The area you are talking about I will have Mr. Hadden take a look at with Sandy or someone else from the water management district and determine what is allowed to be done back there. We have to look at this, determine what the approach is going to be, put a cost

on it and we have to look at the standards in other communities, whether they are districts or not and it is going to be what benefits the district the most.

Mr. Smith stated that is where I was going with that. The developer has already said no initially so in order to get that done down the line it is going to cost us. We have to agree to eat that cost and that is going to be in the form of an increase to the CDD fees that I think everybody will be okay with.

Mr. Oliver stated we are talking about non-irrigated areas and the backside of ponds at the same time. We will look at this in detail and go out for proposals.

Mr. von der Osten stated if it is CDD property it is a CDD responsibility and as of October 1st that has been added to the landscape contract.

A resident asked who is responsible for making sure that grass and trees are planted in the back so that it looks like the front?

Mr. Oliver stated it is up to the county.

Mr. Hadden stated every lot in Rolling Hills should have at least one if not two trees between the curb and sidewalk. That is county property, the builder was supposed to plant at least one possibly two trees on every lot. Some have and some don't. You are talking about the main entrance road if you go down the first long pond has trees the second long pond is also CDD property and those trees were never planted because we had a lake, if they had been planted they would have died because there is no irrigation system, nobody was paying the water bill so those trees never got planted. It is CDD property and if the CDD wants to pay for them the CDD can put them in but the new owners are not required to put them in.

TWELFTH ORDER OF BUSINESS Audience Comments

There being none, the next item followed.

THIRTEENTH ORDER OF BUSINESS Financial Reports

A. Balance Sheet & Income Statement

A copy of the balance sheet and income statement were included in the agenda package.

B. Assessment Receipt Schedule

A copy of the assessment receipt schedule was included in the agenda package.

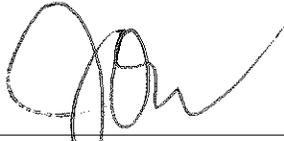
C. Approval of Invoices

On MOTION by Ms. Bock seconded by Mr. von der Osten with all in favor the invoices were approved.

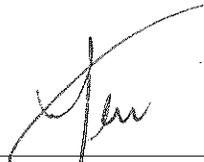
FOURTEENTH ORDER OF BUSINESS Next Scheduled Meeting – To be Determined at Meeting

Mr. Oliver stated the next meeting is December 6th; however, staff will be in contact with you with other options it could be the second Tuesday or the fourth Thursday.

On MOTION by Ms. Bock seconded by Mr. Smith with all in favor the meeting adjourned at 8:00 p.m.



Secretary/Assistant Secretary



Chairman/Vice Chairman