

MINUTES OF MEETING  
TESORO COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Tesoro Community Development District was held Wednesday, April 30, 2014 at 9:30 a.m. at the Tesoro Club, 3<sup>rd</sup> Floor, 2000 S.E. Via Tesoro, Port St. Lucie, Florida.

Present and constituting a quorum were:

Sal Spano	Chairman
Perry Lancianese	Vice Chairman
Deanna Kernan	Assistant Secretary
Vera Stewart	Secretary
Tara Lordi	Treasurer

Also present were:

George Flint	District Manager
William Capko	District Attorney
Butch Terpening	District Engineer
Alan Scheerer	Field Manger
Dan Shaw	Native Lands Management
Toby Overdorf	Crossroads Environmental

**FIRST ORDER OF BUSINESS**

**Roll Call**

Mr. Flint called the meeting to order and stated for the record I will note we received three resignations since the last meeting, which leaves us with two Board members. The rules and statutes provide that when you are down to two Board members those two can convene for purposes of appointing a third Board member so that you have a quorum to be able to conduct business.

I will ask the two Board members who are here to accept Mr. Valdes' resignation and once you do that we can consider an appointment to his seat then we can move forward with the other matters and appoint the other Board members.

Mr. Spano asked can I appoint the other seats today too?

Mr. Flint responded yes but let's do the first one and swear that person in.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Mr. Valdes' resignation was accepted.

Mr. Flint stated I will ask that the two Board members appoint someone to one of the three seats and Mr. Valdes was in the seat with a term expiring 2014.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Vera Stewart was appointed to fill the unexpired term of Mr. Valdes with a term ending November 2014.

Mr. Flint being a Notary Public of the State of Florida administered the Oath of Office to Ms. Stewart.

Mr. Flint stated I will go over the attachments for the benefit of anyone else in the room who may end up getting appointed. The first attachment to the Oath of Office is called the form 1 statement of financial interests and this is a financial disclosure form required by the State of Florida. As a Board member you are a public official and you are subject to the financial disclosure requirements. This has to be filed within 30 days of today with the Supervisor of Elections in the county in which you reside. It is important that you do that because they track when you get appointed and when this gets filed. Each year the Supervisor of Elections will mail you a form to update and you have to file it annually. When you leave the Board there is a form 1f I provided you a copy but we will also mail it to you if you resign or at the end of your term and that has to be filed within 60 days of leaving the Board. As a Board member you are eligible to receive \$200 per meeting per statute and there is a W-4 and I-9 form and those would be filed with my office because we process the payments. If you choose to accept the compensation you will submit those to our office. I have also given you a form 8b, which is a memorandum of voting conflict in the event you have a conflict on a particular matter that may come in front of the Board this would be a form that you would fill out and file with the Secretary of the District, who is myself. As a Board member you are a public official and subject to the sunshine law and public records laws and other laws that apply to public officials and we provided you with a handbook on that. Basically under the sunshine law you are not supposed to communicate with any other Board member outside of a publicly noticed meeting regarding CDD business, something that would possibly come in front of the Board for a vote. You can talk about sports

or the HOA or the POA with Sal but you shouldn't talk about CDD business with Sal or any of the other Board members unless you are in a Board meeting that has been publicly noticed. That goes for emails as well so be careful on emails if other Board members are copied on an email you want to be careful not to reply to all if it deals with CDD business. Any records that you have that are CDD related are considered a public record and could be subject to a public records request so we always suggest that you keep your CDD file separate from your business or personal files. To the extent you don't feel like you need to keep the information for example the agenda you can discard that because I have a copy. If I have a copy of the document you are not required to keep it. If you have an original of something then you would be required to keep it but otherwise you can dispose of the agendas and that sort of backup information if you don't want to keep it as a reference that way you don't have to produce it.

Mr. Capko stated I will make sure that all the new Board members have my card so if you have any questions on any of those matters feel free to call me and we will help guide you through it.

Mr. Flint stated I know that was a lot of information but you can call Bill or myself if you have any questions.

## **SECOND ORDER OF BUSINESS**

### **Public Comment Period**

Mr. Flint stated the statutes were recently amended and they require that the public be afforded an opportunity to comment on anything prior to the Board taking action so one of the things we have done with the agenda is moved the public comment period to the beginning. That way if there are any residents present you can take all the public comment at the beginning of the meeting on the agenda items or anything that is not on the agenda that way you don't have to take public comment on every single item that you vote on. There are no residents here only contractors or staff affiliated with the District.

## **THIRD ORDER OF BUSINESS**

### **Organizational Matters**

#### **A. Acceptance of Resignations and Appointment of Individuals to Fill Board Vacancies**

Mr. Flint stated next is organizational matters and we have two additional resignations that the Board needs to consider and accept. Those were provided to you in your agenda packet.

One is from Chris Partida and the other is from Sara Scheffer. Is there a motion from the Board to accept those resignations?

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the resignations submitted by Chris Partida and Sara Scheffer were accepted.

Mr. Flint stated that leaves us with two vacancies on the Board and the seats both have terms expiring in 2016. When there is a vacancy created during a term of office the remaining Board members have the ability to appoint replacements for those seats. I would ask for a nomination, we need to do each seat individually.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Tara Lordi was appointed to fill the unexpired term of office of Mr. Partida with a term ending in November 2016.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Perry Lancianese was appointed to fill the unexpired term of Ms. Scheffer with a term ending in November 2016.

**B. Administration of Oaths of Office to Newly Appointed Supervisors**

Mr. Flint being a Notary Public of the State of Florida administered the Oaths of Office to Ms. Lordi and Mr. Lancianese.

Mr. Flint stated if you have any questions on the backup I provided I will be happy to answer those or Bill Capko can also answer those. Again, I will point out the form 1 that is attached needs to be filed within 30 days of today with the Supervisor of Elections in the county in which you reside.

**C. Consideration of Resolution 2014-01 Electing Officers**

Mr. Flint stated because we do have three new Board members it would be appropriate to consider Election of Officers and we have provided Resolution 2014-01, which elects officers. Currently the Chairman is Mr. Spano and Ms. Kernan is designated as an Assistant Secretary. You would also want to appoint a vice chair and typically the three Board members who are not

the chair or vice chair are designated as assistant secretaries. I am currently the Secretary and the District Accountant is the Treasurer. You could change that but I would ask if you make a Board member the Treasurer that you make the District Account an Assistant Treasurer.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Resolution 2014-01 designating Sal Spano as Chairman, Perry Lancianese as Vice Chairman, Tara Lordi as Treasurer, Ariel Lovera as Assistant Treasurer, Vera Stewart as Secretary, Deanna Kernan and George Flint as Assistant Secretaries was approved.

**FOURTH ORDER OF BUSINESS**

**Approval of the Minutes of the August 29, 2013 Board of Supervisors Meeting and Acceptance of the Minutes of the August 29, 2013 Audit Committee Meeting**

Mr. Flint stated next is approval of the minutes of the August 29, 2013 Board meeting and acceptance of the minutes of the August 29<sup>th</sup> audit committee meeting. Those were included in your agenda. Are there any additions, deletions or corrections to those?

There not being any,

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the minutes of the August 29, 2013 Board meeting were approved and the August 29, 2013 audit committee meeting minutes were accepted.

**FIFTH ORDER OF BUSINESS**

**Review and Acceptance of Fiscal Year 2013 Audit Report**

Mr. Flint stated the next item is review and acceptance of the Fiscal Year 2013 audit report. The CDD as a governmental entity is required by statute to have an independent audit performed annually. You went through an audit selection process as prescribed by the statute and you chose the independent auditor who has provided the report that is in your agenda packet.

Mr. Spano stated the report says that we are in compliance with generally accepted accounting practices and government auditing standards and the report states there are no deficiencies in our reporting.

Mr. Flint stated page 21 is the report to management and if there were any findings by the auditor they would appear on that page and you can see there are no current or prior year

findings. They are also required to look at several provisions that are put forth by the auditor general and they found that we have complied with all of those provisions of the auditor general.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Fiscal Year 2013 audit was accepted and staff authorized to transmit it to the State of Florida.

## **SIXTH ORDER OF BUSINESS**

### **Consideration of Resolution 2014-02 Approving the Proposed Fiscal Year 2015 Budget and Setting a Public Hearing**

Mr. Flint stated the next item is consideration of Resolution 2014-02, which approves a proposed Fiscal Year 2015 budget and sets the date, place and time for the public hearing. What you find behind section 6 is Resolution 2014-02 that approves what is called a proposed budget and it sets the date of the public hearing for its final adoption. The District has to approve a proposed budget by June 15<sup>th</sup> of each year and the proposed budget is not binding on the Board you can make changes up to and at the public hearing if you chose to do that. You are not bound by the proposed budget it is really the beginning of the budget process. Exhibit A to the resolution is the proposed budget that we are recommending and that proposed budget contemplates the assessment levels would remain the same, however, the budget is subsidized by a fund balance so the amount of subsidy fund balance has been increased to \$124,218.

Mr. Spano stated in reviewing the activity projected through 9/30/14 we end up with surpluses in our coffers in excess of \$653,000 and we are a not for profit organization and we are applying \$124,218 of the surplus to the following year and the result of that on our budget of \$380,206 and it is a zero based budget so our expenses and revenues coincide. The effect of that is that the per lot cost in the tax bills in the non-ad valorem portion of it for developed properties would be \$40.69 per lot, tracts would be \$40.69 and undeveloped lots would be \$30.51 per lot. In reviewing the budget the only big swing in it is expenses under mitigation maintenance. Just to give you some history we did change vendors within the last year and we brought in a vendor who brought a lower discount and we found deficiencies in the work and we have gone back and reestablished a new vendor and have had better experiences. We will talk about those in the operating side of the budget but the affect of that is that our cost of expenditures of fixed expenses our field expenses went from \$243,000 to \$313,000. We are providing for all of those

increases going forward. My recommendation is that we approve the budget for 2015 in the amount of \$380,206 and use the \$124,218 of surplus to achieve that.

Mr. Flint stated there is an error at the bottom where the assessments are calculated. The assessments are intended to remain the same and 2015 is there and 2014 the per unit assessments so that column at the bottom should reflect \$104.78. I apologize. The subsidy of fund balance has increased to offset the increase for the lake maintenance and wetland maintenance contractor but the amount of the assessment revenue you can see is remaining the same between 2014 and 2015, it is \$70,988.

Mr. Spano asked does that affect the undeveloped lot cost per lot?

Mr. Flint responded it would be \$78.59 it is going to be the same as it is in the current year. When we increased the subsidies the formula at the bottom didn't calculate the assessment correctly and I apologize I didn't catch that. It wasn't in the draft. We are maintaining assessments at the same level they are this year and next year, they are not going up. The only thing we are doing is increasing the amount of fund balance we are using the balance the budget to \$124,218 to offset the increase in the lake and wetland maintenance because we switched contractors.

Mr. Spano stated that still leaves us with a cash surplus in our operating fund.

Ms. Kernan asked when you have a surplus you can't give that back and reduce the assessment?

Mr. Flint stated we are, we are spending it down.

Mr. Spano stated last year we used \$54,000 and this year we used \$124,218 so we are using it.

Mr. Flint stated at one point that per unit assessment was over \$300 per unit. When Ginn controlled the project that assessment was high a lot of surplus was generated and now we are using some of that surplus to decrease the assessments but we still need to keep some fund balance. You will see on Exhibit A the first quarter operating is \$95,000 and we are using \$124,218 to balance the budget and that leaves \$368,000 in a renewal and replacement account because we still have assets that need to be maintained. The Board can reevaluate next year whether you want to continue to use any of that \$368,000, this year we used \$50,000 of it and next year we are going to use \$124,218.

Mr. Spano stated I want to remind everybody of my comments before on the mitigation maintenance, we had to increase that contract by \$70,000.

Mr. Flint stated it went from about \$100,000 to a combined \$160,000.

Mr. Spano stated that is why we need to always have some funds there.

Mr. Flint stated we did bid those services out, we had selected the prior contractor, which I think was the low bidder. We were under contract with them for a period of time and they weren't performing and we went back to Native Lands that I think was the second low bidder.

Mr. Spano stated everybody should understand that all of our major contracts have a 30 day cancellation without cause and if we find we are in a situation where we are not getting performance we have the ability to make changes. This budget is an estimate and we can go through six months, three months, four months and make any adjustment we see fit by meeting appropriately and making a proper motion.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor Resolution 2014-02 was approved.

**SEVENTH ORDER OF BUSINESS**

**Ratification of Agreements**

**A. Ratification of Agreement with Native Lands Management, Inc. to Provide Wetland, Lake and Upland Maintenance Services**

Mr. Flint stated the next item is ratification of agreement with Native Lands Management, Inc. to provide wetland, lake and upland maintenance services. The prior contractor was terminated by the District and Native Lands was retained to provide those services. This agreement has been in effect since December 2, 2013 and signed by the Chairman and attested to by the Assistant Secretary. The scope of work is attached as well as a map and I would ask the Board to ratify the contract.

Mr. Spano stated this covers all the services for the wetlands, littoral shelves, lake bodies and the upland preserve areas and covers everything from taking the exotics and nuisance vegetation out on the property.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the agreement with Native Lands Management, Inc. was ratified.



**B. Ratification of Agreement with Grau & Associates to Provide Auditing Services for Fiscal Year 2013**

Mr. Flint stated the next agreement we are asking you to ratify is the agreement with Grau & Associates to perform the audit. Because we do have statutory timeframes that we need to follow as far as completion of the audit and since the Board hasn't met since August I executed the agreement with Grau and the pricing in the agreement is consistent with the bid they provided and was accepted by the Board of Supervisors. This is merely an agreement that includes that fee. You just accepted the audit that was performed under this agreement so the services have been provided and we are asking the Board to ratify the agreement.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the agreement with Grau & Associates to perform the Fiscal Year 2013 audit was ratified.

**EIGHTH ORDER OF BUSINESS**

**Acceptance of Year Two Monitoring Report  
Tesoro East Side and Ratification of  
Crossroads Environmental Invoice**

**NINTH ORDER OF BUSINESS**

**Acceptance of Year Three Monitoring  
Report for Tesoro East Side and Ratification  
of Crossroads Environmental Invoices**

Mr. Flint stated item eight and nine deal with the monitoring reports that are required for the Tesoro East Side water management District permits. Although the District is maintaining the East Side wetlands and conservation areas the permit is still under the name of the developer and the property has not been transferred to the District. However, there are monitoring requirements and because the District is maintaining that area in anticipation of the permit and the land being transferred to us there is a cost associated with the monitoring and I have included the invoices and also provided you with the year three monitoring report and the District has paid those invoices. Toby Overdorf is here he can provide you with an overview of the year three report.

Mr. Overdorf stated year two compared to year three showed tremendous improvement in that the areas are dominated by native vegetation rather than the previous situation, which led to a change in contractors. Native Lands is doing a great job and we had a small issue and they responded to it right away. I'm petitioning the District to hopefully alleviate year five and hopefully, we will be able to do year four and that will be it we will be done. Typically it is five

years of monitoring and that is what they require for almost every permit we had out there in that situation. Hopefully, after this next year, year four, which would take place in December/January of this coming year we will be done at that point in time and we will petition the District for that.

Mr. Spano stated when these reports are done they are done because they have to support our permits we are required to do these reports and maintain. The other thing we should understand is that our residents although they like to live in a natural setting sometimes don't understand that there is a percentage of the property that has to be covered by vegetation under those permits. It is always an ongoing educational period when people come into the community and say I can't see my water and in some areas I think we have 80% coverage rate. We will continue to do this.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the Years Two and Three Monitoring Reports for Tesoro East Side were accepted and the Crossroads Environmental Invoices were ratified.

**TENTH ORDER OF BUSINESS**

**Status Update from Developer Regarding Platting, Transition of Permits and Conveyance of Land**

Mr. Flint stated item ten is a general item we have kept on the agenda from meeting to meeting to the extent there is any information regarding the permitting, platting or transition of permits this would be an opportunity for that to be shared with the Board.

**ELEVENTH ORDER OF BUSINESS**

**Staff Reports**

**A. Attorney**

There not being any, the next item followed.

**B. Engineer**

There not being any, the next item followed.

**C. Manager**

**i. Approval of Check Register**

Mr. Flint stated next is approval of the check register.

Mr. Spano stated our main expenses in the CDD is the management services, treatments on the aquatic areas and wetland areas, our support of legal, insurance, CPAs and engineering. In reviewing the check register that is behind section 11 tab 1 you will see that compiles our expenses. You can also see the payment of the report fees for the reports we just talked about. The accumulation for this report is \$200,246.16.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the check register was approved.
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## ii. Balance Sheet and Income Statement

Mr. Flint stated we also provided you with the unaudited balance sheet and income statement through March 31, 2014. There is no action required by the Board.

Mr. Spano asked can you explain for the new Board members the difference between the cash assets and the investment account?

Mr. Flint stated we have an investment account that is basically very conservative government investments. The District as a government can't be very aggressive with its investing of funds and typically our return is quite low but we do carry the cash for ongoing expenses and the investment fund is money that has been transferred into that fund that earns very small interest earnings. We can review the cash to see if there is more that can be shifted over to the investment account but the reality of it is we are probably earning less than half a basis point. The primary focus is preservation of principal secondary is liquidity and third is rate of return so once you get past those first two your rate of return is pretty low.

A lot of times CDDs are created to issue tax-exempt bonds to construct infrastructure and in this case Tesoro never issued bonds but the primary reason it was created was to serve as a mechanism to enter into an agreement with the City of Port St. Lucie so that we can get back the stormwater fees that are collected within the District to maintain the stormwater system. The City of Port St. Lucie on the tax bill collects the stormwater utility fee on all the properties in the District and we get back 75% of what they collect. They keep 25% because of the offsite impacts of the stormwater system. Our water runs off of our property into other systems that are maintained by the city so they do retain 25% and that is projected to generate about \$194,000 this year. The difference between what that generates and what it actually costs to operate the

District and maintain the stormwater system the CDD imposes an additional assessment directly. Those are the two revenue sources and those offset the expenses for the District. There is an interlocal agreement between the CDD and the City of Port St. Lucie regarding the stormwater fees.

**iii. Designation of November 17, 2014 as Landowners' Meeting Date**

Mr. Flint stated the Board needs to designate a date for the landowners' meeting. Every two years in even numbered years while the Board is comprised of landowner elected Board members we have to have what is called a landowners' meeting for purposes of electing certain Board members. This year we have three seats up for election, Mr. Spano, Ms. Kernan and Ms. Stewart's seat are all up in November, 2014 and we are recommending November 17, 2014 as the date for that meeting and we would ask the Board to designate that date unless there is another date in November that you would prefer.

We provided instructions and a sample agenda as well as a landowner proxy for information purposes in the agenda. The landowner meeting is not a Board meeting but often we will combine a Board meeting with that. At the landowners' meeting typically I would attend and any landowner who wanted to participate in the election would show up and it is based on one vote per acre or part thereof. If you own an acre that is one vote if you own a house that is on half an acre that is one vote if you own 100 acres that is 100 votes. If the landowner cannot be present there is a process where they can designate a proxy holder to show up at the meeting.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor November 17, 2014 was designated as the landowners' meeting date.

**TWELFTH ORDER OF BUSINESS**

**Audience Comments**

There not being any, the next item followed.

**THIRTEENTH ORDER OF BUSINESS**

**Supervisor's Requests**

Mr. Spano asked are there any reports from the field?

Mr. Scheerer stated I am the field operations manager and my job is to be onsite, I'm here twice a month and meet with the contractors, review the areas of responsibility and make sure

they are complying with what we are paying them to do. In the Bella Strana community we have a water feature that has been down. We ended up hiring Systematic Services to come out, we had a low flow problem in the top portion of the water feature, half of it was working and the other half wasn't. We did a step by step analysis of the problem, we started with the intake screen, which is in Lake 4 had it all checked out and cleaned out, we moved into the motor and pump portion and found that we had a leaky seal and had that replaced. We also found that we had a worn impeller so Tony who is the gentleman with Systematic Services came out over a period of time, we did it step by step and as of my last inspection on Tuesday of last week the water feature is operating properly.

The contractor, Native Lands, is doing a great job in taking care of the wetlands and the lakes. You will see a little outbreak of algae from time to time this time of year because of the increased heat but the wetlands look good, the buffers are continuing to improve, the lakes are looking well and Wellington is doing a very good job with their buffer areas out there.

Mr. Flint stated previously we had an issue with a homeowner who had used Roundup or some sort of product to kill the cord grass and the upland buffer vegetation behind his home, which is a permit requirement that buffer between the edge of water and the back of their lot be there. I went round and round with him, he hired an attorney I met him onsite. He ultimately paid for the cost of replanting the area. He ultimately did the right thing by bearing the cost of replanting and we supervised and inspected that work. Unfortunately within the last couple weeks we noticed some of the cord grass appeared to have been sprayed.

Mr. Scheerer stated there are a couple rows of the cord grass between the back of his fence and then towards the water, it is not the entire area this time. We think it is him.

Mr. Spano asked what is our penalty cap on this?

Mr. Flint responded it is a civil matter we don't have the ability to fine anybody.

Mr. Capko stated we don't have the fining ability but we do have the ability to go civilly against the landowner and get the damages paid for by him.

Ms. Stewart asked then you are approaching this homeowner?

Mr. Flint stated in the past I have.

Mr. Spano stated I want to put him on formal notice that this is a repetitive situation.

Mr. Flint stated I will draft a letter and attach pictures and copy the attorney that he hired previously on the correspondence because the attorney was very instrumental in talking sense into the guy.

Mr. Spano asked has anybody spoken to the guy?

Ms. Stewart stated I was waiting to speak to you for the CDD.

Mr. Spano stated let's have the CDD talk to him.

Ms. Stewart stated that is why I didn't call him but I have gone there and looked at it.

Ms. Kernan asked can these pesticides go into the waterway behind it?

Ms. Stewart stated it is not spreading it is like he is focusing on these plants.

Mr. Scheerer stated is grasses in the buffer area and he sprayed about two rows of them or somebody sprayed about two rows of them so it is not like they went in and cleared the whole thing out, so each grass has been sprayed.

Mr. Spano asked does he have outside landscaping done at his house?

Ms. Stewart stated I wondered about that too but I haven't checked into that until I had this meeting.

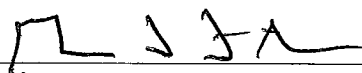
Mr. Flint stated if you could check on that and let me know.

Mr. Shaw stated I'm with Native Lands Management and we have been back now five or six months and did a tremendous amount of work getting things back into shape. We have taken care of a few problem areas that Toby noted in his monitoring report. Can I get a copy of that?

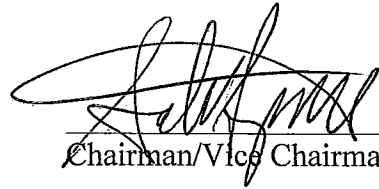
Mr. Flint responded yes, I have copies of it.

Mr. Shaw stated now that summertime is coming we probably will have some algae blooms we had one over the weekend and the boys jumped on it and sprayed it and got it taken care of. Everything is looking good and if you have any problems give us a call and we will jump right on it.

On MOTION by Mr. Spano seconded by Ms. Kernan with all in favor the meeting adjourned at 10:15 .m.



Secretary/Assistant Secretary



Chairman/Vice Chairman