

**MINUTES OF MEETING  
STONEBROOK  
COMMUNITY DEVELOPMENT DISTRICT**

A Regular Meeting of the Stoneybrook Community Development District's Board of Supervisors was held on **Tuesday, April 27, 2010 at 9:15 a.m.**, at the **Stoneybrook Community Center, 11800 Stoneybrook Golf Boulevard, Estero, Florida 33928.**

**Present and constituting a quorum were:**

Ron Ritschel	Chair
Chris Brady	Vice Chair
Ed Harland	Assistant Secretary
James Boesch	Assistant Secretary
Ray Rodrigues	Assistant Secretary

**Also present were:**

Chuck Adams	District Manager
Cleo Crismond	Assistant Regional Manager
Dan Cox	District Counsel
Matt Nieder	Golf Course Superintendent
Bruce Harwood	PGA Head Golf Professional
Thomas Manott	Lee County Utilities
Rand Edelstein	Lee County Utilities
Dan Carter	ITG Holdings, LLC
John Blakeley	Master Board Liaison
Audrey Koenig	Resident

**FIRST ORDER OF BUSINESS**

**Call to Order/Roll Call**

Ms. Crismond called the meeting to order at 9:15 a.m., and noted, for the record, that all Supervisors were present.

**SECOND ORDER OF BUSINESS**

**Presentation: Effluent Water Quality**

***\*\*\*This item, previously the Third Order of Business, was discussed out of order.\*\*\****

Mr. Rand Edelstein, from Lee County Utilities, gave a presentation on the effluent water quality. He summarized the use of the water treatment facility with the average, annual, commitment to supply reuse water to customers as 3.3 million gallons of water per day. There

are five (5) golf courses, in addition to Stoneybrook, that consume the reuse water. Mr. Edelstein explained that users do not always consume their agreed upon allotment of water. Mr. Boesch questioned if all golf courses were charged the same for reuse water. Mr. Ritschel explained that the rate structure is based on the agreement and then on the consumed amount. Mr. Edelstein stated that pricing is dependent on the agreement but, that everyone should be on the same cycle. A map was provided, noting Lee County Utilities' customers and the locations where water samples were taken. Mr. Ritschel questioned how often the water leaving the plant is sampled. Discussion ensued on the timeframe.

Mr. Nieder noted the large discrepancy in the pH levels and explained that the treatments on the golf course are completed according to the mandatory Best Management Practices (BMP). He noted the Environmental Protection Agency (EPA) range on the pH level is not agronomically effective. Discussion ensued on the pH results and the problems with the greens. Mr. Ritschel stated the problems with the greens did not begin until 2009 and noted that, if the greens are rebuilt, it has to be made certain that the problem will not continue. He noted the concerns regarding the water quality.

Discussion continued on how to manage the current conditions. Mr. Nieder explained the current treatment process of the greens. Discussion ensued on the condition of various golf courses. The Board requested monthly reports of the county's monthly samples. Mr. Ritschel requested a list of all golf courses serviced by Lee County.

**THIRD ORDER OF BUSINESS**

**Consideration of Agreement for Exchange of Real Estate**

***\*\*\*This item, previously the Second Order of Business, was discussed out of order.\*\*\****

Mr. Ritschel questioned the status of the easements. Mr. Cox stated that the agreement needs to be signed. He stated that Lee County agreed to pay the attorney's fees and title insurance costs not to exceed \$1,000.

Resident Audrey Koenig questioned the status of the four (4)-foot easement behind her property. Mr. Ritschel explained that the engineering company, Johnson Engineering, is currently completing a lake study regarding the erosion.

**FOURTH ORDER OF BUSINESS****Continued Discussion: Renovation of Golf Course Greens and Potential Funding of Same**

Mr. Ritschel explained that bonds were used to build the golf course, in addition to money from US Homes used to supplement administrative costs and operating capital. In 2008, US Homes stopped subsidizing and the District approached the bondholders about possible restructuring, so that the annual payment could be made; however, an agreement has not been reached. Mr. Ritschel noted that the bond restructure is not complete and the annual payment to the bondholders has not been made since 2007. Mr. Boesch added that US Homes, through the decision between the bondholders and US Homes, made up the shortfall but never allowed the District to apply the money to a capital improvements account.

An audience member asked if the golf course runs a deficit every year. Mr. Ritschel stated the golf course is a profitable enterprise that has never made sufficient funds to satisfy the debt service payment, on an annual basis. He continued that one (1) year, the golf course made \$800,000; last year, it made \$192,000 and the budget this year is \$247,000. Mr. Ritschel recalled a conversation with the primary bondholder, Evergreen Fund, which indicated they were considering that the bonds be written down to \$0.60 on the dollar, which is a \$500,000 annual payment. He explained that, a couple of years ago, the District requested that the bondholders restructure the bonds so that the golf course could afford to pay; however, it was never completed but has to be resolved by September 30, 2010, in accordance with IRS regulations. Mr. Ritschel clarified that the District is not making any escrow; in October 2008, the District made an escrow per an agreement to restructure the bonds. He explained that in March 2009, the bondholders proposed a payment of \$500,000 a year; however, one (1) bondholder did not agree and the agreement was not finalized. Mr. Ritschel stated that he attempted to contact Evergreen to invite the bondholders to the meeting, to see the condition of the greens, but the call was not returned.

Mr. Cox explained that the debt instrument is structured so that the bondholder only has a lien on the revenues from the golf course, to the extent that the revenues exceed operational cost. They have no ability to compel the Board to levy special assessments against homeowners' property, force the Board to levy a tax against the property or levy any type of recreational fee against the property. Mr. Cox stated the bondholders indicated they would be willing to advance

the funds to complete the greens renovation, if the Board is willing to voluntarily put an assessment against the property owners. He further explained that this investment is held by a mutual fund and they have the fiduciary duty to not undersell an asset. Mr. Cox recommended the solution include long term plans, such as capital improvement projects, to protect the value of the assets.

Mr. Ritschel explained that the bondholders do not want the District to incur any debt that would be placed before the bondholders' payments. The District considered golf memberships and corporate loans. The CDD Board has the responsibility to run the golf course, with the Golf Pro and Superintendent reporting to the Board.

Mr. Cox reemphasized that Dennis' proposal was for the Board to, voluntarily, place an assessment against property owners to replenish the fund. He noted the lengthy process to levy assessments and that the money would not be received until next year; which means, the greens could not be completed until next year. Mr. Cox stressed the need for input from the community and the determination of the amount of the assessment. Mr. Ritschel requested that the proposal be put in writing.

Mr. Ritschel introduced Mr. Dan Carter to discuss the possibility of debtor-in-possession (DIP) loans. Mr. Carter suggested he would be interested in purchasing the bonds at \$0.10 on the dollar. He stated he is willing to lend the District money for the greens renovation, as long as the DIP receives priority lien status, under a DIP agreement. He explained that a judge has to grant priority lien status.

Mr. Ritschel provided the Board with a copy of a letter received from Gordy Lewis regarding the condition of the greens. Mr. Ritschel indicated the four (4) bids received for greens renovation range from \$235,000 to \$307,000 to redo 21 greens. He stated the lowest bidder needs two (2) to 2½ weeks notice, prior to beginning the renovations. Mr. Ritschel explained the golf course would be shut down for five (5) months. Discussion was held on the golf course's financials. Mr. Ritschel noted the increase of losses from having the golf course closed is anticipated to be around \$110,000, excluding greens renovation costs. He stated the performance of the golf course is within \$10,000 of the current year budget. Mr. Ritschel discussed the condition of the golf course and the need to address the issues. Discussion continued on the bondholders' role in the greens renovation.

Mr. Cox stated that the assessment process would include a letter to each property owner, subject to the assessment and a public hearing. He explained that the assessment would be collected on next year's tax roll. Mr. Blakeley questioned if the fairways could be redone at the same time as the greens. Mr. Cox explained that it can be discussed at the public hearing.

Mr. Adams estimated the \$1.5 million needed for the green renovation and the fairways assessment, spread over five (5) years, with a conservative rate of 4½%, on 1,119 equivalent residential units (ERUs), the annual assessment obligation, including the 4% revenue reserve, is \$312.28; over the five (5)-year period, each unit would pay \$1,561.39. Mr. Cox stated, if the loan exceeds five (5) years, it is required to be validated, which adds about \$70,000 to the process.

Mr. Boesch asked, if the Board agrees to pursue the assessment, would the bondholders have the ability to block the District from the assessments. Mr. Cox replied no, as the bondholders are proposing the option for the assessments; however, the District would need, in writing, an acknowledgement that the funds are solely for capital improvements, not debt service payments. He clarified that the participation of the bondholders is needed and did not anticipate that the bondholders would interfere.

Mr. Nieder noted that the window for shutting down and completing this project is getting smaller. Mr. Cox explained that, if the May meeting was going to be the public hearing, the letters would have to be mailed by May 4<sup>th</sup>, providing the property owner with a 21-day notice. Mr. Adams noted that the bondholders' participation is necessary, prior to the letter being mailed.

Mr. Nieder noted that new equipment will be necessary for maintenance of the new greens. Mr. Adams explained that, since the equipment is not part of the capital improvements project, the cost will be included in the operating budget, as an operating expense.

The Board discussed the proposed Exchange of Real Estate with Lee County. Mr. Rodrigues clarified that the District is increasing the amount of preserve land. Mr. Ritschel stated that Lee County is giving the District more land than the District is giving. Mr. Boesch noted that the right-of-way for roadway is completely taken out of the agreement.

**On MOTION by Mr. Boesch and seconded by Mr. Brady, with all in favor, the Agreement for Exchange of Real Estate with Lee County was approved.**

**FIFTH ORDER OF BUSINESS**

**Approval of March 23, 2010 Regular Meeting Minutes**

The March 23, 2010 Regular Meeting Minutes were presented for review by the Board.

The following changes were made:

Line 37: Change “personal” to “personnel”

Line 69: Delete “University of Florida” and insert “Mark Burrows, Burrows Turf Grass”

Line 68: Insert “University of Florida” before “soil”

Line 94: Change “stake” to “sprig”

Mr. Ritschel stated that he requested that the report referenced on Page 3 address the potential foundation issues on Lancaster.

Line 122: Change “screen” to “stream”

Line 206: Change “Mr. Ritschel” to “Ray Rodrigues”

Mr. Ritschel commented that Mr. Nieder and Mr. Harwood need to receive copies of the golf course’s invoices.

**On MOTION by Mr. Brady and seconded by Mr. Rodrigues, with all in favor, the March 23, 2010 Regular Meeting Minutes, as amended, were approved.**

**SIXTH ORDER OF BUSINESS**

**Other Business**

Discussion ensued on the new irrigation rate. Mr. Adams noted that the neighborhoods received a credit, via a percentage of the total usage that was in accordance with the common area square footage. A resident noted that the total common area usage was not reflected on the invoice.

**SEVENTH ORDER OF BUSINESS**

**Committee Reports**

**a. Status: Personnel Handbook Updates**

Mr. Rodrigues provided handouts of two (2) drafts of the Personnel Handbook. He stated that Board Members can review the final draft and discuss any needed changes at a future meeting.

**EIGHTH ORDER OF BUSINESS****Staff Reports**

***\*\*\*These items were discussed out of order.\*\*\****

**a. Attorney**

Mr. Cox stated that, previously, the Board requested to write off the amounts due to Lennar. Mr. Cox stated Lennar never booked the amounts as assets and Lennar is requesting a full and unconditional release from the District. Mr. Rodrigues questioned if the District could seek damages. Mr. Cox noted issues regarding the Statute of Frauds. Mr. Rodrigues questioned why the District never obtained an agreement in writing. Mr. Cox stated he was not involved in the initial bond issue and noted potential IRS issues. Mr. Ritschel questioned where the money is currently booked. Mr. Cox stated that they will have to be rebooked as liabilities, before the audit for fiscal year 2009 can be released. Mr. Cox stated they are not currently reflected in the enterprise fund.

**b. Engineer**

There being no report, the next item followed.

**c. Golf Superintendent****i. Update: Irrigation Well Installation Project**

Mr. Nieder stated that the Well Installation Project is complete and all of the invoices have been submitted for payment. He stated he is awaiting confirmation from SFWMD as to which aquifer to draw water for blending. Mr. Nieder explained the blending process. He anticipated the pH level of water drawn from the wells to be about 7.2 or 7.3. Discussion ensued on the amount of water received from the county. Mr. Nieder anticipated about 125 million gallons, annually. Discussion ensued on the water quality.

Mr. Nieder stated Todd Lowe, from USGA, is coming to present a report on the condition of the golf course.

Mr. Nieder reported that plant replacements, flower installations and pine straw will occur in May; the second mulching application will be applied in November.

**d. Golf Pro****e. Manager****i. Unaudited Financial Statements as of March 31, 2010**

Mr. Adams presented the Unaudited Financial Statements as of March 31, 2010.

**ii. High Irrigation User's Report**

Mr. Adams stated the March high user list increased significantly and anticipated the list to be smaller for April, due to the high amount of rainfall. Discussion ensued on the irrigation operating expenses.

**iii. NEXT MEETING DATE: May 25, 2010 at 9:15 A.M.**

Mr. Adams noted the next meeting date is May 25, 2010.

**NINTH ORDER OF BUSINESS**

**Audience  
Requests**

**Comments/Supervisors'**

There were no Audience Comments or Supervisors' Requests.

**\*\*\*The meeting recessed until 3:00 p.m., at the same location.\*\*\***

**On MOTION by Mr. Boesch and seconded by Mr. Brady, with all in favor, the meeting recessed until 3:00 p.m.**

**\*\*\*The meeting reconvened at 3:00 p.m.\*\*\***

Mr. Ritschel, Mr. Boesch, Mr. Harland, Mr. Nieder, Mr. Harwood, Mr. Cox and Mr. Todd Lowe were present.

**▪ USGA Presentation**

**\*\*\*This item was an addition to the Agenda.\*\*\***

Mr. Todd Lowe discussed the condition of the greens. He noted that too much organic matter is a detriment to the greens and forces the Superintendent to complete aggressive treatments. He recommended, if the greens are going to be renovated, all organic matter be removed. He discussed the method of removing the accumulated organic matter and noted it is a standard practice. He stated the typical lifespan for putting greens in Florida is ten (10) to 15 years and it is something that every club should plan for, as it is something that needs to be completed. He explained that greens with a lot of organic matter do well through the dry season because they hold water; however, the water cannot be drained when the green is too saturated. Mr. Lowe explained the process of renovating the greens. First, a chemical must be applied to kill the grass, followed by the removal of all grass and organic matter. Then, back filling would be completed with an appropriate mix of sand and peat; a soil lab would determine the appropriate ratio, in accordance with the underlying mix. He stressed that fumigation, with

methyl-bromine, has to be completed, as to avoid any remaining plant life. Next, sprigs, which are stems of Bermuda grass, would be planted and given a minimum of ten (10) to 12 weeks to root.

Mr. Ritschel questioned Mr. Lowe's educational background. Mr. Lowe stated he is an agronomist, with a four (4)-year degree from the University of Florida, in Environmental Horticulture and a master's in Horticulture, with an emphasis in Turf Grass.

Mr. Ritschel read part of Mr. Lowe's report regarding the role of organic matter, irrigation and aeration in the condition of the greens.

Mr. Lowe explained that the greens, due to the high level of organic matter, will be prone to the conditions of the past year and that high levels of mowing can continue to maintain the current greens; however, the greens will not meet the standard of area courses.

Mr. Nieder outlined his plan to aerate to alleviate the damages.

Mr. Lowe explained that flushing greens containing organic matter is more difficult because they naturally attract salts etc.

Discussion continued on the turf at surrounding golf courses and the salt content of the irrigation water.

Mr. Nieder explained the process of flushing the greens and the installation of the new boxes. He noted the developer did not provide any of the information regarding the layout of the pipes under the greens.

Mr. Ritschel explained that the bondholders made a verbal offering that Mr. Cox is getting in writing. Discussion ensued on the current situation between the bondholders and the District and the future of the golf course.

## **TENTH ORDER OF BUSINESS**

### **Executive Session**

***\*\*\*The meeting recessed at 4:00 p.m. for the Executive Session.\*\*\****

***\*\*\*The meeting reconvened at 6:00 p.m. \*\*\****

Discussion was held on the appropriate assessment that can be applied to the enhancement of the physical condition of the golf course.

Mr. Adams noted that this community is a golf course community and the association of the golf course with the homeowners has a direct impact on their property values and quality of life. Mr. Cox noted that all residents will benefit equally.

Mr. Cox stated Mr. Derby left a voicemail explaining he was talking to Prager, Sealy representatives and feels that they are on board with using the money that is in the debt service reserve, until the Board can obtain another source of financing, with the understanding that the Board is going to levy a special assessment. Mr. Cox stated the actual document from the bondholders' attorney is anticipated to be received next week. He stressed that the Board, should they decide to authorize the green renovation today, will be stepping out on faith that the bondholders will provide the funding. Mr. Adams suggested that the document include language stipulating that the District is going to make every effort to secure the financing to replenish; however, the lending market is not in the control of the District. Mr. Cox stressed that the funds received through the assessment will be strictly for the capital improvements to the golf course and not for the bond debt.

**On MOTION by Mr. Boesch and seconded by Mr. Harland, with Mr. Rodrigues dissenting, authorization of Staff to begin the assessment process for the capital improvement program, with a not to exceed amount of \$300,000 and the annual assessment amount to reflect \$65 per unit, was approved. (Motion passed 4-1)**

Discussion ensued on the bondholders' role in the renovation of the greens and the District's obligations, if bankruptcy is filed. Mr. Cox explained that the funds received from the assessments will go to the District's general fund. Mr. Adams stated the District will still owe the repayments of a loan. Mr. Adams stated the District needs the funds to address the renovation of the greens, regardless.

Mr. Rodrigues stated that he does not support an assessment on the residents, if the District is going to file bankruptcy.

Mr. Ritschel summarized that the District will try to obtain a loan that will infuse \$300,000 to the District; in the meantime, the bondholders have agreed to release the funds. The assessment to the homeowners would repay the loan, of which none goes to the bondholders.

Mr. Cox stated a loan will not be provided until the bank knows that the District is going to levy assessments. He noted the bondholders are taking a step of good faith because, if a loan is not obtained, the bondholders are going to have to wait for repayment through the receipt of the assessments, over five (5) years.

Mr. Ritschel noted that the bondholder is in control of the funds. Mr. Boesch stressed that the course has to get completed now.

**On MOTION by Mr. Boesch and seconded by Mr. Harland, with Mr. Rodrigues dissenting, authorization of Staff to finalize the agreement with the bondholders to release reserve funds to pay for the greens renovation and authorization of the Chair to execute appropriate documents were approved. (Motion Passed 4-1)**

Mr. Cox discussed the District's position with Lennar and that Lennar is requesting a release letter. Mr. Adams noted the District's Auditor is requiring the Lennar obligations be placed on the books, unless a release letter is completed.

**On MOTION by Mr. Boesch and seconded by Mr. Rodrigues, with all in favor, authorization to reinstate Lennar's obligations in the audit, including additional related fees, was approved.**

**ELEVENTH ORDER OF BUSINESS**

**Adjournment**

The meeting was adjourned.

**On MOTION by Mr. Harland and seconded by Mr. Brady, with all in favor, the meeting was adjourned.**

  
Secretary/Assistant Secretary

  
Chair/Vice Chair