

MINUTES OF WORKSHOP
CAPITAL REGION COMMUNITY DEVELOPMENT DISTRICT

The Board of Supervisors of the Capital Region Community Development District held a workshop on Thursday, December 9, 2010 at 4:00 p.m. at the Good Samaritan United Methodist Church, 3720 Capital Circle SE, Tallahassee, Florida.

Present were:

Barry Brooks
Wayne Toothman
Eli Nortelus
David Ramba
Glenda Herrera-Gray
James A. Perry
Brian Crumbaker
Kevin Mulshine
Abe Prado
Norman Robertson
Fred Greene
Robert Berlin

FIRST ORDER OF BUSINESS

Roll Call

Mr. Brooks called the workshop to order.

SECOND ORDER OF BUSINESS

Introduction

A. Purpose and Authority of Community Development Districts (Chapter 190, F.S.)

Mr. Crumbaker stated some of you are already familiar and have been on boards in the past but Chapter 190 is the charter of community development districts. Community development districts have been around since 1980 in its current form, the 190 form. There have been special taxing districts since the beginning of the State of Florida of various types, usually water control. The purpose of the community development district, which is a local unit of special purpose government, is primarily to finance, design, construct and maintain infrastructure necessary for development. In the case of SouthWood it has been roads, water, sewer, stormwater, irrigation infrastructure improvements with some open space and whatnot.

There is a copy of 190 in the agenda package. Every year there is potential legislation that would affect 190. We get through committees and we do monitor 190 and ancillary statutes if there are updates or possibilities of reform of 190 or any related statutes we do notify the board in case the board has some interest. The statute itself walks through the structure, obviously it is a five member board and walks through their general powers and some special powers of the board. The district has general powers, which are the ability to own property, sell property, enter into contracts and that kind of thing. The special powers are where you get into what we can fund, construct or maintain. You have a general section, which is roads, water, sewer and if you want to do security, recreation that would need special approval by the local general purpose government, which in this case we have.

There are also provisions in 190 regarding the issuance of bond anticipation notes, short term borrowing bonds, obviously, the primary method of financing improvements within this project is through the issuance of tax exempt bonds and we have the district's underwriter here today and those bonds are secured by the special assessments, which are levied on the property and based upon benefit. Special Assessments are differentiated from taxes where ad valorem taxes are based on value and these which are based on use so when we look at the special assessments that are on your tax bill are based upon benefit, the improvements have been constructed or in the case of the O&M assessment the improvements being maintained. It attaches to the property itself it is not a personal obligation of the landowner.

Districts do have ad valorem taxing authority but it is authority that frankly I represent about 170 districts and we have yet to use that. There are connotations associated with that but I wanted to make you aware of it.

190.022 special assessments, tax lien, paying of taxes and whatnot.

190.033 is related to the bidding requirements of districts. Because community development districts are governmental entities and I will get into the other statutes shortly, but we are required to go through the public bidding process. That is for landscaping services, construction services, auditing services, which we will discuss later, and then for architect or engineer, which is also required to be procured and 190.033 references back to those procurement statutes.

Fees, rentals and charges, we actually to the extent wanted to use a park for instance and we will have a park policy shortly, then you may impose a fee and you have to go through

Chapter 120 rulemaking in order to do so but you can impose a fee for use of the park facility or whatever the case may be.

There is termination, contraction, and expansion of the district. This district has gone through expansion in one case. There were parts that had been owned by the state and that is Unit 23. Unit 23 was originally owned by the state but there was an option back that if it wasn't exercised within a certain period of time it went back to the St. Joe Co. When that occurred the district went through a boundary amendment process in order to incorporate Unit 23 into the district. We actually availed ourselves of 190.046. Incorporation, annexation is not going to be an issue here in all likelihood.

190.0485 which is notice of establishment. We recorded notice of establishment within 30 days of creation of the district and any amendments to the district's boundary. That notice pops up, it has a legal description attached to it that is the district's boundary, any time property is sold within the district. If a piece of property sold from landowner A to landowner B it would pop up in the title search so they are aware of ownership within a community development district. That is the nuts and bolts of 190.

Ms. Gray joined the meeting at this time.

Mr. Brooks stated let me ask the staff to introduce themselves for the record and I apologize for not doing that earlier.

Staff introduced themselves at this time.

B. Overview of Other Applicable Florida Statutes and Rules (Chapters 112, 119, 120, 189, 197, 155 and 286; Rules of Procedure)

Mr. Crumbaker stated as I mentioned there are other statutes that relate to community development districts and are either specific to districts or referenced in 190 so they are tied in that manner.

If you are looking at (b) Chapter 112 is the ethics chapter. As I mentioned whenever each of these board members have sworn the oath of office the ethics statute will apply which covers conflicts of interest and whatnot you have to report those. If you ever have a question regarding that just give me a call.

120 is rulemaking. The district itself was established pursuant to a 120 rulemaking process, you had to actually file a petition with the Florida Land and Water Adjudicatory Commission and it gets referred to the Division of Administrative Hearings, you have a hearing,

it goes back and it is actually a rule. We also go through rulemaking for very specific items, we don't have to do it in general but we do have rules that I will walk through in a moment that relate to the general operations of the district. We also have to go through rulemaking when we are setting rates, fees and charges. To the extent you want to increase a fee associated with the use or reservation of a park site or whatever the case may be, we have to go through rulemaking.

189 is actually a precursor on some levels to 190. It is related to special districts in general independent, but where 190 doesn't cover a certain provision such as audits we go to 189 to determine whether there is a general provision involved and if special districts are required to comply.

170 and 197 are the assessment statutes that the district relies upon for two purposes. 170 is for your capital improvements so the bonds that were issued by the district are secured by special assessments that are levied pursuant to 170 and there is a specific process as to how you levy the assessments, notices, resolutions, etc. so 170 is the process for that. You also process assessments through the 197 process and there is a portion of that which is the uniform method of collection which gives us the ability to put the assessments on the tax bill. If you have looked at your tax bill the top portion is the ad valorem section and the bottom portion is the non-ad valorem section. It is in the non-ad valorem section you would see the Capital Region Community Development District. So 197 also has a notice process we have to go through. You have to declare that you are using the uniform method of collection and adopt a resolution, which we did. Then to the extent that you ever want to increase the assessments that are levied, the O&M assessments are levied under 197 and if you want to increase the level of assessments by even \$1 you have to go through the 197 notice and set up the process.

255 is the type of procurement chapter in relation to construction. We obviously went through this for Unit 35 but for future construction contracts that exceed the statutory minimum historically it has been \$200,000 plus there was an index but if you exceeded that threshold you had to actually procure the construction contract. That was changed in 2010 so it is a flat \$325,000 or \$350,000. If you ever want to let a construction contract we have to make sure if it is going to be above that amount we need to go through the public procurement process.

As I mentioned at the last board meeting the way we dealt with procurement and construction within this project was we approved qualified contractors similar to what cities, counties and FDOT does, determine what their capacity bid is, determine what experience they

have, and then give them a single project limit an aggregate project limit and a category of work. If we put a project package out on the street for roads, water, sewer your basic District infrastructure then we would publish a notice, the contractors on the pre-qualified list could submit a proposal and assuming they are certified in those categories and within that single and project limit then they can submit a bid and it will be based on the low bid.

286 is relevant for CCNA, which is the consultants competitive negotiation act, which is the process you hire your engineer or architect. In this case that is how we retained Gee & Jenson the original engineer, which is now CH2M Hill. If you need to hire an architect or engineer for a given project if it exceeds statutory thresholds for the project then you have to go through that process.

C. General Background on the District (Amended Rule)

Mr. Crumbaker stated in the package behind Tab B are rules of procedure of the district. As I mentioned the district has gone through Chapter 120 rulemaking to adopt rules of procedure. In general they are very high level in that it deals with officers, voting, information, meetings, CCNA, bidding, auditor selection, etc. Most of this expands a little bit on the state law requirements applicable to CDDs. Occasionally after a legislative session if there are any changes that are relatively simple we bring back a new set of rules and we go back through the process to modify these. I liken the statutes rules and policies like _____ on some level where you have your core which is the constitution and then you have your state law statutes and then you have rules that expand on those statutes a little bit or modify at least procedurally how you would do things without modifying the statute and constitutional provisions themselves. What you also have in your package are policies. A little less formal, you don't have to go through the formal rulemaking process, which if you go through rulemaking there are two notices that are required to be published and can be expensive so there are certain matters where we would recommend to the extent you want to modify a rule or whatnot that you adopt a policy. If you do that you don't have to go through the same notice process and you can do so at any meeting. What you have in here are the current rules so if there are any questions on those please let me know.

There are also copies of the policies that are in place. In this case the park facility policies and if there was an issue that was raised with regard to an existing park policy you could modify it at any time.

D. Disclosure of Public Finance

Mr. Crumbaker stated item D is disclosure of public finance. By law, by statute the district is required to prepare a disclosure of public finance. The most recent copy of that disclosure is included in this package. It is also provided to the builders and developer and major landowners within the community and they sign a receipt for it saying they received it so they can pass the information down. It is required to be recorded as well. We have actually attached a legal description to this and recorded it to ensure that to the extent there is ever any transfer of property that the disclosure is provided.

The document itself really highlights, it is a very basic description of the district, it gives you a description of this district itself, the size, the capital improvement plan, the improvements both on and off site that have been built or are anticipated to be built and it also has an exhibit that identifies the assessment, fees and charges and method of collection. I harp on the recorded documents because in addition to these documents what you don't see is that whenever we levied the assessments we also recorded a notice of special assessments and any supplements thereto so that anybody who purchases property there are a litany of documents that have been recorded with legal descriptions that will pop up on their title search in the hopes that would mitigate anybody saying I didn't know. The information is either recorded or referenced to the source of information recorded so they know where to go. It may not have the engineer's reports but it will reference that you can obtain them from the district manager, the district records office or the district engineer.

Mr. Brooks asked so this legal description was amended to include that Unit 23?

Mr. Crumbaker stated yes, that statute was changed after Unit 23 so it was recorded after that.

SECOND ORDER OF BUSINESS

General Operation and Maintenance

Mr. Brooks stated Jim will lead us through the general operation and maintenance with help from Robert as he goes through this. Robert Berlin has also joined us.

A. Budget and Annual Audit

Mr. Perry stated included under Tab 2A is a copy of the adopted budget for this fiscal year 2011. The district's fiscal year starts October 1, and runs through September 30. The budget process itself we typically start in the March timeframe and we will bring to the board either in April or May a proposed budget for the board to approve. Once that budget is approved there is still further refinements after that. We have a minimum of a 60 day period so typically we ask the board to approve the budget in May or June and in the August timeframe you physically adopt the budget. If there is an increase in assessments then we do mailed notices to all landowners within the district. If there is not an increase in assessments then there are no notice requirements in regards to that. The past couple of years we have had assessments kept at the same level or lower. This district in regards to that process once it is adopted by the board then we certify a roll and it goes to the tax collector of Leon County and that line item is included on your tax bill and it will say Capital Region CDD assessments.

With that lead in I will start on page 1. Each of these budgets that you will see are set up in the same type format it will have the adopted budget in column no.1, actuals through whatever day we present it to the board, total projected for that year and then we will look at what was proposed for approval, any changes and finally an adopted budget which would be the last column.

Under the revenue section for the general fund for this district you will see special assessment tax collector and that is what is certified on the roll. In addition to that we have special assessment direct with St. Joe and we bill St. Joe direct for their assessments on lands. In addition to that you will see that third line item which is a developer contribution and we will talk about that in more detail in regards to the St. Joe deficit funding agreement.

After that you have the administrative expenditures and these are normal and customary expenditures of almost all districts. The budget for that stays pretty much the same year in and year out. There is very little movement in those items and it includes such things as supervisors fees, engineering costs, district counsel costs, annual audit, trustee fees, management fees, printing and binding, legal advertising and dues and licenses. Those numbers are pretty well fixed year in and year out.

On page 2 is the field services budget and those are items related to landscape maintenance, stormwater maintenance, irrigation and utilities. Those numbers can vary based upon usage and different factors but that is set up in the same format.

Right below that you will see an analysis of the assessments that have been levied for the last four years in regards to the net assessment and then also the amount per unit for fiscal years 2009, 2010 and 2011. They are also allocated differently depending on the type of unit and Brian referred to that earlier about benefit analysis and allocation and we will talk about that a little bit later in regards to the assessment methodology but that allocation is based upon those benefits.

Page 3 is the allocation of operating reserves and shows what kind of reserves we have in place and the cash available for first quarter operating capital. This district receives the bulk of their assessments in the December/January timeframe and since we are on a fiscal year that starts October 1, we have the months of October, November and most of December when we don't have any cash coming in so we typically have to have adequate reserves of cash available to fund our operating expenses for the first three months. That is the analysis on page 3.

After that we have a short write-up of a lot of the line items just to give you an idea of what those specific line items are and that runs through page 7.

After that we have the debt service budgets for the different bond issues and they are set up in the same format. You will see the revenue section, which is the assessments by the tax collector, any carry forward surplus and then the expenditures. The expenditures on all these bonds are typically interest expense payment on November 1, and on May 1 you will have in addition to the interest expense payment a principal expense payment.

Also on that page you will see the per unit amount assessments depending on what type of unit you have and for a lot that has a 75 foot frontage it would be \$600.

Page 9 is the debt amortization for the bond and that ties back into the budget and the same on page 10.

Page 11 is the series 2002 A bonds, page 13 is the series 2006 BAN and page 14 is the 2008 Bond and also the attached amortization schedule.

After that there is an analysis of the allocation of fixed and variable costs that tie in with the St. Joe deficit funding agreement that is attached to the budget in order to come up with their contribution.

That is an overview of the budget. When we do present it to the board in April or May we will go through more detail with that. The thing to keep in mind is when we ask the board to approve the budget in that timeframe, let's say you approved a budget of \$1 million and our budget last year was \$1.1 million since you are going down you don't have the ability to increase it over that \$1.1 million unless you did the mailed notices so we need to be very careful when we ask you to approve the budget if there is going to be an increase then we need to do a mailed notice. We don't ask you to approve a budget and then at adoption you can't come in and go higher than what you were.

After that is a copy for you of the financial statements. Those are the audited financial statements at September 30, 2009. For those of you who are not familiar with it this district has always had a clean opinion and that is on page no. 1 of the audit report. I am not going to go through the audit report but that is in there for your information.

The tab after that is the auditor selection guidelines. The reason I included those in your binder is this is the last year for a contract that we have with our current audit firm, which is Carr Riggs & Ingram. We will ask the board probably in the March timeframe to form an audit committee and that audit committee will select criteria for selection of an auditor. There are four statutory required criteria and an additional one would be price and we typically recommend that price be a criteria also. Then we will solicit proposals from CPA firms and the committee will rank those just like the process you have done for landscaping. That is in there for information. When we go through that process we will have more detail for you at that time.

B. Maintenance

1. Stormwater Map

Mr. Perry stated we will move to the maintenance section and Robert Berlin is going to take that. We have prepared in the package a foldout map and what we try to do is have a map for stormwater, landscape and after that I will talk a little bit about the St. Joe deficit agreement.

Mr. Berlin stated the first map you see that folds out is the master plan map. I apologize it didn't reproduce as well as we thought it would. That is the DRI, that is the DRI boundary and while a lot of the stormwater facilities we built some of them are especially up in the northeast corner and a few of them haven't been at least one I know of hasn't been conveyed to the district

yet it is still owned by St. Joe. With the help of Abe and Norm if I say anything that is wrong they can feel free to step up and correct me.

The second map is the one that shows the facilities takes most of the water from the east side of Southwood and then it flows back down on the west side through the ponds we have up by Orange and move back down around and through the preserve area back in there and eventually works its way back to the big pond that is not on St. Joe's property but is on state property. Some of it works its way back down there. On the east side we end up going down by the schools and then eventually crossing Tram and exiting down through 111C and L05 then you have another series of ponds on the far west side and that is the newer section of SouthWood, this stuff we just completed, Unit 35 and Unit 35 extension and not all of those ponds were built either but the big one down by Tram TR105 is complete now and 209 has been in the ground for quite some time and 209A which is immediately to the right of it that is in place too. The district owns the ponds and they maintain them, the conveyance system that runs to the ponds is owned by the city.

Mr. Prado stated most of it.

Mr. Berlin stated for the most part so we don't do maintenance on the drainage you see in the streets and those pipes but we maintain the ponds. Every three years I think that is how long the permit is good for, we are in the process of renewing a new permit, we renewed the operating permits in each of the ponds as they come up. That is a matter of getting them up to the city specifications and inspected by the city. I think it is \$245 for the permit and it is good for three years. We try to keep them in good operating order. The district engineer has a plan that goes with the permit that tells us what we are supposed to do and estimated cost per year to maintain them. While it is a big thing, stormwater, we try to make it so you don't think too much about it, you just enjoy looking at it. We are constantly in the process of keeping them up and running in working condition and no problems.

2. Landscape Maps

Mr. Berlin stated the next two maps are the two maps you may have seen that was in the RFP. These maintenance maps the colors indicate the frequency of mowing and the vendor that has to mow it. The district mows 90% of it and then St. Joe has a section too that they take care of. It is an awful lot of detail on a small map. I can get larger maps through Post Buckley or you

can come to the office and I can point it out. The first map that contains most of everything is the largest part of the subdivision and you notice it doesn't have anything up north it only shows the stuff that is currently built except for the Joe pond that is in this big large wide area up at the top. You know it as Mission Link. That is just a natural occurring water body, we haven't built anything, it is just there. The next page is Unit 35 and you can see the newer ponds, 105 and the TR209 and 209A and those are the ponds that your district engineer is trying to get wrapped up now and get final acceptance on. This is the section over here where the new Department of Revenue buildings are. That is where that water collection is going. Except for 105, 209 and 209A are now under district control and we are going to maintain those ponds as well as everything that you see. There is a legend at the top and the notation is a higher maintenance item, it is along the roadways and stuff and we mow that a lot, darker green has a higher frequency mowing, the lighter green is the lower frequency mowing. It is just a matter of the area that is probably native grass and that type of thing. Those are the two to look at and hopefully over the next few months you will give me a call if you have any questions on those.

Mr. Brooks stated just as a recommendation and is something I took advantage of was I went out and toured the district in the back areas like Robert is offering right now and it is interesting to go out and actually physically see it so you can coordinate that with Robert and get out there and look around. It might be helpful.

3. St. Joe Deficit Funding Agreement

Mr. Perry stated we will move on to the St. Joe deficit funding agreement. That is included in your agenda package and was entered into in 2009 by the district and St. Joe. A lot of the lands that St. Joe owns are undeveloped lands and they have a less impact on the O&M than lands that have been platted or developed so this methodology was established based upon fixed costs and variable costs in an allocation to come up with what would be deemed St. Joe's fair share on the lands that they own. Relative to the benefit that they are receiving from the district they came up with this fair share of costs. Above and beyond that St. Joe has historically been paying way above their fair share of costs over the years and what this did was quantify how much above and beyond that fair share they have been paying and then to take that amount down over a three year period. The first year in regards to this agreement they agreed to pay up to approximately \$257,000 above their fair share if the district incurred costs relative to that. For

the second year, which is the year 2010 through 2011 the dollar amount is \$171,000 and that is what you saw in your budget earlier that we talked about. The final year is next year, the amounts go down by \$85,000 each year and \$86,000 is the amount for the year 2011/12 and then the agreement really expires after that relative to their payments above their fair share. This was developed over the course of about six months with the district and the former chair and the board was involved with it also. That is an overview of that agreement. There are schedules attached to it.

Mr. Brooks stated once we get through this agreement with St. Joe then we will be self sustaining. We will be on our own.

Mr. Perry stated you won't be subsidized, that is correct. The fiscal year 2012/13 there will be no additional contribution by St. Joe.

THIRD ORDER OF BUSINESS

Improvement Plan and Construction Status

Mr. Brooks stated item three is our improvement plan and construction status. Fred Greene our district engineer and Norm Robertson of PBS&J and Abe Prado of St. Joe are going to take the lead on walking us through that.

A. Improvement Plan

1. Improvement Plan, August 2000

Mr. Greene stated if you look behind tab 3 the first thing you will see is the improvement plan. This plan was prepared in August 2000 and it outlines all the proposed improvements to be done and estimated construction costs and that initial construction cost was \$211,221,581 which included a provision for inflation and 15% contingency because initially we talked about building this project out over a 20 to 25 year period.

2. Amendment No. 1 to Improvement Plan, June 2003

Mr. Greene stated since that time you have amendment no. 1 and amendment no. 1 reduced the estimated construction cost down to \$95 million and that sounds like a big reduction but when you look at the development how much has been built in a ten year period over the 25 years we were able to reduce the inflation number a lot plus the experience we had with our bids,

with pre-qualified bidders, that worked out in our favor and we have a savings of about 20% with that process. That is what amendment no. 1 was.

3. Amendment No. 2 to Improvement Plan, February 2006

Mr. Greene stated amendment no. 2 was done in February 2006 and this identifies and outlined and clarified payments to mitigate the impacts of road segments outside the district in the primary traffic network. That provided for \$7,136,209 to go to the City of Tallahassee, Leon County got \$2,186,099 and FDOT got \$991,000 for a total of \$10,313,308. This \$10 million that we allocated we wanted to clarify where it was going because in the improvement plan it didn't specifically outline those costs and that was the purpose but that cost was already included in the \$95 million that we brought down on amendment no. 1.

4. Amendment No. 3 to Improvement Plan, May 2007

Mr. Greene stated amendment no. 3 was done in May 2007 and Brian alluded to it earlier it brought in Unit 23 and 45.94 acres.

5. Amended and Restated Improvement Plan, August 14, 2008

Mr. Greene stated then you have in your package Amended and Restated Improvement Plan dated August 14, 2008. This increased the cost back up to \$143,093,637. During that period of time you may remember we had a tremendous increase in asphalt cost and everything associated with asphalt. When we looked at the remaining projects to be completed we had to come back and adjust for current costs.

6. Supplemental Engineering Report for the Capital Improvement Revenue Bonds, Series 2008, August 14, 2008

Mr. Greene stated in addition to that I think you have the supplemental engineering report for the 2008 bond issue and we do an engineering report for every bond issue so that was the latest one that we have done for the district. Those are kind of the highlights.

Mr. Crumbaker stated you will see this in relation to the assessments and to the engineering report but that amended and restated engineering report is for a group of plans for everything. For each bond issue if you ever want to go back and see what the 2005 was supposed to fund or the 2002 you can go back to that supplemental engineering report and

determine what was supposed to be funded with funds raised by that issue. The same with the debt service assessments there is a master assessment lien and then you will see supplemental assessment reports that peels away from the pie or peels away from the master to create the security for that particular bond issue.

Mr. Toothman asked does that represent the geographic area of bond money or does it represent infrastructure?

Mr. Crumbaker stated we may have issued \$50 million in total debt out of \$275 million or whatever was originally authorized. It is essentially going to the first \$50 million of improvements wherever that may be. Some of them are offsite improvements required to develop the units that have developed, some are internal improvements in order to develop the land in order to build a unit, when I say unit I mean housing unit. It is really the first money in and the rest would have to be funded by St. Joe pursuant to a completion agreement.

B. Completed Construction

C. On-Going Construction

D. Future Construction

Mr. Greene stated we have a colored map for the supervisors an 11 X 17 we find it convenient. Norm and Abe can give you more details on what has been completed and what is yet to be done.

Mr. Prado stated in your package you have a list that identifies all of your completed improvements for residential subdivisions the general infrastructure.

Mr. Robertson stated we have a larger copy of the map if you have a hard time reading unit numbers or pond designations.

Mr. Brooks asked did you want to walk through any of this or do just want to leave us to ask questions about it or how do you want to do it?

Mr. Prado responded whatever the board's pleasure is. The map that Norm provided you sort of correlates to the units and the abbreviations for them and the LDRs references to the zoning characteristics and there is no science behind that it is just the way it is identified in the master plan that ties to the development order and it also has the land uses in there. It is through December 1st of this year and it also has your future projects identified.

Mr. Brooks asked from a percentage basis how developed is this district now to what is planned?

Mr. Prado stated landmass you are probably at about 60%, entitlement-wise you are between 40% and 50%.

Mr. Brooks stated that is B, C and D.

Mr. Prado stated if you have any questions feel free to contact us.

Mr. Toothman stated it will probably come up later on, future infrastructure development.

Mr. Prado stated currently there is no anticipated completion date. Obviously a lot of it is market driven. We can tell you what we expect the market will do. There is no date provided for you because it wouldn't be accurate information.

Mr. Brooks stated Wayne you are correct the purpose of the workshop we weren't going to get into that. At the next meeting we have time set aside.

FOURTH ORDER OF BUSINESS

Financing Structure

Mr. Brooks stated if we can move into the financing structure and we have Kevin Mulshine here with us.

Mr. Mulshine stated what we want to do is keep the board updated on where the bonds are and if you have any questions about how the bonds work or who the bondholders are, etc. We gave an initial presentation this past summer to the board and this is the follow-up to it. If you flip to page 4, which is the outstanding bonds that is currently the debt of the district today. I want to make a couple of points, which will kind of follow through in the presentation. I am going over first the bond debt outstanding of the district. We have series 2001A bonds, which were issued in 2001 that have a maturity date of 2031 on them at an interest of 6.7% and 6.85%. There is a slight difference it was issued in two different formats between series A1 and series A2. It gets into a little bit of esoteric reason for the difference but suffice it to say the average coupon is about 6.8% and we originally started with just over \$10 million bonds outstanding and since we have had amortizations the district now has on the 2001 bonds right about \$8.275 million of bonds outstanding. When you have a 30-year bond a district will be given the option to refund the bonds early at a future time to save money. That call date as we call it, we call it first call date is usually about ten years so hence a bond issued in 2001 has a call date of May 1, 2011 where you have the option to call or you can leave them outstanding but if you want to call

them you can call them for a refund in savings. What you do is pay 101% penalty so if there is \$8.3 million in bonds outstanding you pay about \$8.4 million to eliminate the debt.

Series 2002 bonds were issued in the amount of \$13.4 million of which there is just under \$12 million left. Those were also issued at 6.7% coupon. The good thing there is both bonds and that is a coincidence that they are very similar rate to the 2001 but it tells you that both bonds have a potential for about the same level of savings if that makes sense. The 2002 bonds the difficult thing there is they actually go a year longer. For the folks that on their tax bill pay the 2002A assessments they have actually started paying a year later than the 2001 homeowners and so therefore they go a year longer to 2032. The other point on it is the 2002 bonds cannot be called until May 1, 2012.

In 2008 the district issued approximately \$20 million in bonds and basically what these 2008 bonds are secured by are liens on units that will be built in the future in the second phase of development or the unbuilt units as of yet. I would like to point out that the district has issued about \$40 million of A bonds. If you look at the engineer's report and infrastructure costs that is a lot less than the infrastructure costs to the district and basically the master developer early on made a decision to say we will finance what we can that provides a reasonable assessment and frankly the assessments here are lower than most other areas in the state, they are lower than most districts in Jacksonville, etc. so we figure out how much we could finance off a reasonable assessment and that is what supports these bonds. Obviously, the developer had to kick in the rest of the improvements to finance the program if you try to reconcile the two that is the difference.

If you go to page 6 we have an overview and this is an overview of the 2001A debt and the only things I point out here is when the bonds were originally issued when Brian went through the various Florida Statutes one of the ones he summarized was Chapter 189 and 189 has some rules in it that actually also frankly mirror good practices would be required by the SEC in what we call FINRA which says if a bond is non-rated it really should be sold only to sophisticated institutions so the bonds initially were only sold to institutions such as Goldman Sachs, T. Rowe Price, Capital Research Group. They bought the bonds but since they are non-rated as you can imagine the reason they are not rated is because at the time the assessments are levied on raw land so the rating agencies do not like assessments on raw land therefore, the bonds carried a higher interest rate than a typical City of Tallahassee bond would have. The

point we are reaching is the way the bonds work are the first units platted are the first ones to secure the 2001 bonds so if anybody looks at their tax bill and they have 2001 assessment next to it their home was on one of the first lots to be platted, 2002 second and 2008 third. The 2001 bonds are getting to be what we call mature. In other words they are now secured by vertical real estate and therefore, they are worthy of investment grade rating, bringing the interest rates down to besides just market conditions.

The next page is the series 2002 debt and is really the same story, more debt outstanding \$11.935 million. The only real difference between the 2001 and 2002 bonds besides the property they are levied on is the fact that the 2002 bonds can't be called until 2012, they run for a year longer to 2032 and when we reviewed the tax roll the 2002 bonds are secured they have a little bit more of what we call wood to chop in other words there is still a little bit of undeveloped property secured by the 2002 bonds and there is also some commercial pieces which are secured by the 2002 bonds which frankly, needs to mature a little bit if that makes sense.

The next page just to make sure we clarify a couple of things, if we talk about future bonds of the district there is two types that would be considered. One would be new money bonds and there is always a chance that a developer whether it is the current landowner or future landowner when they start to develop the next phase of the project may say we want to issue bonds secured by assessments. If those bonds are issued in the future it would be good from a standpoint of providing improvements but it is also good from the standpoint of they can't go back and levy a higher assessment on the existing residents so the existing residents assessments are set.

The other type of future bonds will obviously be for the refundings that we are discussing. We ran a number of scenarios and want to go over it quickly then talk about a pattern. This is a good time of year to consider refundings from this standpoint (1) you are coming close to the call date on the 2001 bonds it comes up in May (2) Barry helped us with doing our research and when you want to go to the rating agencies and the banks to get credit enhancement what you have to do is a lot of due diligence so we are just finishing the collection cycle for last year's taxes and the new taxes have gone out so it is a good time to actually do the due diligence work. The other thing that works well about the timing is if a refunding does occur, if it occurs before the summer you can then reflect it on the taxes you levy next year so

you kind of have to wait until the collections are in from the prior year but you want to get it done before you start doing your budget for the following year.

We ran a lot of scenarios but for the 2002 bonds basically the average coupon is 6.83%. We always try to be very conservative and I have never had a situation where we over promised or couldn't bring something back so we are conservative in what we show you. What happens is the amount of bonds to be refunded is \$8.2 million it says the par amount of refunding bonds \$8.8 million and the only reason there is a big disparity there which will naturally decrease is because as we get closer to an actual refunding date you will be collecting your tax receipts for this year which we can't count in the refunding because today you only have \$93,000 in the revenue fund so this will be tightened up a lot. The basic thing we are trying to achieve if you will look at the net present value savings 5.94% that is assuming we could achieve an estimated average interest rate of 5.5%. In the last weeks of the market interest rates I don't know if anybody keeps in touch with the bonds but we basically hit historical lows about three months ago we kind of bounced off the bottom pretty hard, rates are starting to come up but I still feel pretty conservative with 5.5% coupon. At a 5.5% coupon the important thing is we would be able to save about 6% savings. With 6% savings what you would be basically saying is if somebody has a 75 foot lot it is about \$650 you would be able to reduce their assessment by about \$50. I want to put it in perspective because that would obviously roll through the roll and think about it that way.

The next page is where the rubber meets the road on how you consider for your constituents but what we do is take the assessment methodology, we take the capital assessments that are in it and we recalculate it based upon the new debt service and you can take a look at a 65 foot lot that has a current on assessment roll of \$632 it would be reduced to about \$587 or about \$45 at that level.

Mr. Toothman asked is that per unit?

Mr. Mulshine responded yes per unit for everybody. It is the same percentage reduction for everybody.

Future action is obviously just have us keep tracking it for you. There are two ways of going about a refunding. (1) is called a public offering and I don't want to get too esoteric on you but that is where you actually have a brand new bond issue which is refunding bonds and that would be offered to the general public so it would be bought by some institutions but some

wealthy individuals who want tax exempt income, etc. Usually when you do that you go to the rating agencies and get a bond rating for it. In this case we would go for an investment grade rating of BBB or an A on the bonds.

The other type of thing that you try to work at the same time is called a bank qualified private placement. That is where we also at the same time be negotiating with several banks. What happens is under the tax law in 1986 the federal government said banks can't buy tax exempt bonds anymore because what banks were always doing was they were borrowing money at LIBOR buying tax exempt bonds, writing off the LIBOR and making basically an arbitrage profit. So the federal government said you can't do that anymore then it said but, if the issuer i.e. Capital Region issues less than \$10 million in a calendar year the bonds can be bank qualified and the bank can continue to do that so it is a special tax item for banks. What we try to do is negotiate with three or four banks at the same time to also come up with a term sheet and say can you beat a public market offering, interest rate and terms-wise which we would bring back to discuss.

Mr. Brooks stated right now we have 10 years of payments on this bond series. If we were to refinance then we would just have our remaining 20 years or are we refinancing back and it would be a 30 year term?

Mr. Mulshine responded no it will remain 10.

Mr. Brooks asked is there an option to go back?

Mr. Mulshine stated I think you are limited to 30 annual installments regardless of how many times you refund it so you are limited.

Mr. Crumbaker stated under the assessment statute you have 30 years total and these were originally 30 year bonds.

Mr. Mulshine stated in both scenarios a couple of processes are important, the rating agency process and Barry's office was frankly very helpful to us a lady named Althea was very helpful because one of the most important things is these assessments is billed on the tax roll so therefore, the results of the tax collection procedure and what has happened there from a calendar standpoint is in 2008 when everybody knows the financial markets went haywire it was even tough to sell tax certificates. The liquidity is back and in Leon County for instance it would be very tough to find a tax certificate on a developed house. Right now we are showing a very good track record. The rating agency process which we have already started that at no cost, that is just

in doing the homework for it. The one thing I would like to know if we proceeded when I said before that you have a penalty of 1% to pay off the old bonds so if you have \$8.3 million outstanding you pay \$8.4 million what happens is that and reserves sometimes can drive in a lot of cases will drive the par amount of the new debt up a little bit in excess of the par of the old debt. The reason that is important it is almost like refinancing your mortgage if you have a \$100,000 mortgage and to bring it to a lower interest rate and have to pay costs so you have \$105,000 mortgage, the problem is you would say yes I want to do it because I lower my payment significantly, the problem is under assessment law the residents' assessments in principal amount cannot be increased without giving them the notice. So we will be working with staff to try to come up with clever ways if you decide to pursue a refunding try to come up with some structures where we can keep the par equal or lower on top of the interest rates and that is difficult when you have a 1% penalty but we are going to try to do that. The worst case scenario is you decide to proceed with the refunding and we have to mail notice to those folks who receive the 2001 assessments, the notice would say principal went up slightly but your annual payment will be reduced and it also gives them the option to come in and pay it off. It really is notice to all your homeowners and it can be confusing for people.

Mr. Crumbaker stated by statute it has to say failure to pay may result in the loss of your home and people say, oh my gosh. Are there any deals where you are seeing a reduction in debt service reserve to 50% or something like that?

Mr. Mulshine stated we actually did reduce our debt service reserve on a couple of bank private placements earlier this year but I think the two banks that were doing that realized that they were doing something that was not standard so there has been a lot of pushback.

Mr. Crumbaker asked even on a rated deal?

Mr. Mulshine responded even on a rated deal.

Mr. Brooks stated I remember you talked about that before when you came to us and said there was an opportunity and that was one of the things we could have taken advantage of as a possibility and the door is shut on that.

Mr. Mulshine stated yes and there is a very small group of banks because you have to have a bank that does business in Florida and is very profitable. Being blunt about it the big money in our banks is SunTrust and Wachovia. These all have trading desks for this kind of

thing but they have terms so they get into their own little world so it is kind of trying to pushback on four or five items.

Mr. Toothman asked does the 1% penalty stay with it for the whole 30 years or does that penalty go away?

Mr. Mulshine responded that is a good point. If interest rates continue to increase I think prudent governments will say such as the City of Tallahassee or Leon County they would say we will refund something if we can reduce our payments by 5% present value. What you have to realize is you really only get one bite at the apple because now you have a new 10 year call window so you want to make sure it is a good deal. You are going to have an opportunity sometime in the next years. Your potential for savings start to shrink as you get into the callable period because you have less years to amortize the lower interest rate over but the 1% decreases over a two year period so if you waited two years that 1% would go away. If you are refunding in this case from 6.8% down to 5.5% if you wait a year just to save that you have reduced it by 1.3% but you would have eaten up the 1%. There are several moving dials and frankly it is a judgment call but one of the things we always recommend is when the board challenges the staff and says go ahead, don't incur any costs, do the ratings, get us as close to doing a deal but don't bring us back something unless you get 5% savings or if you can reduce it by 7% bring us back a deal for consideration. That is usually the kind of action that we try to work through.

Mr. Toothman asked are they going to bring us back a certain percentage or savings?

Mr. Crumbaker stated my recollection is that the action taken by the board was putting together a credit package and start working with the rating agencies on the package. I don't think the board has given direction to staff to incur any time or expense.

Mr. Toothman stated Alan Hanstein had an instrument that was similar to the one they did at Florida High.

Mr. Crumbaker stated what Alan provided was a resolution adopted by Florida High and the resolution itself actually when I went back and looked at it wasn't necessarily applicable because of the unique status of Florida High being part of the state's funding system so there were more steps they had to take in order to hopefully issue. We never adopted anything. We took a look at what he sent and it really wasn't applicable to the scenario here. Ultimately if the board says if we hit 7% then let's pull the trigger on staff putting documents together and getting

it done and we can do that. What Alan really had was a resolution that had certain triggers as it relates to market and FSU and whatnot it is more complicated than what we have here.

Mr. Brooks stated if I can follow-up a little bit with Wayne's dialog and ask Kevin and Brian, would you want this board, do you think it is advisable for this board to put into play some sort of percentage that can convince you to moving on it or are we okay still monitoring knowing that this window?

Mr. Mulshine stated if I may make one suggestion, a lot of governments use 5%. I would like it if you said 7% and let me give you the reason. It gets to be a higher threshold frankly it challenges everybody but more important when we negotiate with banks and we can say we aren't even authorized to bring back a deal and to get there we really need the rate because they come with a quote of X and then we will go back and say we would love to do a deal but we need another 15 basis points because the board doesn't want to consider unless we can get to this threshold. But by putting a threshold now if we think the bank is totally out of gas and it is a 6% savings we will bring it back to you and get direction for you to say yes or no. I just like setting a higher threshold.

Mr. Brooks stated from what I have seen and understanding we are having almost a 6% right now.

Mr. Mulshine stated and frankly that would be 7% savings if you turn all the dials.

Mr. Brooks stated we can't take any action in this workshop.

Mr. Crumbaker stated we have a placeholder at the next meeting to formally take action on the 7% or adopting a motion.

Mr. Brooks asked would staff think it is advisable for us to look at doing that at the next meeting?

Mr. Crumbaker stated just so this board understands what costs would be incurred Kevin for instance gets paid out of the issuance so if we start down the path and he comes back and says it is 7% and we start heading down the path and two weeks into it we come to the board and say Kevin came back and he has 7% and you say can we get 7 ½%. Obviously he is going to put himself out there with the bank and Kevin gets paid out of the cost of issuance, bond counsel gets paid out of the cost of issuance, your assessment consultant your district manager is paid out of the cost of issuance. I think the only individual and I can do a fixed fee if you prefer we do it one of two ways, a fixed fee or do it hourly which means that you don't wait for cost of issuance.

You get reimbursed out of cost of issuance ultimately but we try to keep it low by not doing fixed otherwise it would be a little higher. We are really the only ones that you are going to incur any expense if we hit that 7% mark and they say go and we start putting time into the documents.

Mr. Mulshine stated you are also bringing up an important part is that most of Brian's work comes into play after a bank says here is the proposal and then we send it to Brian to say Brian turn this into the legal documents that work so you kind of know you are there when you have to start incurring that cost.

Mr. Crumbaker stated I will be completely honest with you if Kevin called me tomorrow and said we have the 7% it wouldn't necessarily require a board meeting to get board approval, I would call each individual and say this is the update this is where we are at are you going to rage at the next board meeting if we proceed and if anybody says no that is fine or I'm a little concerned but okay go ahead. I can't take a vote and I can't serve as a conduit for the board but I would let everybody know that Kevin got the 7%.

Mr. Brooks stated I know we are getting down to the closure of our workshop and this can be something we need to take up in our next meeting but maybe there could be a motion offered during the formal meeting that would allow the chairman to commit the board after a certain percentage.

Mr. Mulshine stated my partner in Tallahassee just had a baby and I'm going to go see her after this for a few minutes and Brian and Jim have been through an awful lot of these motions and this is very typical. Typically we ask for board authorizing staff to prepare any necessary documents as long as we reach a benchmark of savings in excess of 7% to bring back for board consideration.

Mr. Brooks asked do I hear a consensus of 7% or do we want to go a little bit higher?

Mr. Toothman stated I pretty much rely on the expert and if he is telling us 7% is a good number then I concur with that.

Mr. Brooks stated Eli is the expert. Eli, what do you say?

Mr. Nortelus stated 7 to 7½ %.

Mr. Mulshine stated 5% is really the common but say 7½%.

Mr. Brooks stated I was thinking of 7½%.

Mr. Crumbaker stated the other side of this is you don't want to go too high with that number because you start running the other way.

Mr. Brooks asked what if we say between a range of 7% and 7.5% looking at 7.5%?

Mr. Toothman asked what about 7% and prefer 7 ½%?

Mr. Brooks stated okay but I need you to be comfortable enough if they come in with 7% and I say is that really the best we are going to be able to do, Kevin, and Kevin tells me I have beaten this thing to death that is it. I don't want to come back to the next meeting and say I took it at 7% and you all say you didn't hold out for 7.2%.

Mr. Mulshine stated I would suggest authorizing staff at 7 ½% and he will call you if it is 6.9% and we need to confirm. What will happen is the bank or bond investors will get a commitment letter and I will say they are willing to do this so we will have to bring that back to the board to say we need your consideration, it is here and here is the numbers. I say 7 ½%.

Mr. Brooks stated let's plan on doing that at the next meeting. Is there anything else we need to discuss at the workshop?

Mr. Perry stated the only thing is there is included all the methodologies in the documents there. I don't think we need to go through them. There is a master methodology and then what was referred to earlier by both Brian and Kevin for each of those series of bonds there is a supplemental methodology so you will see each of those in there.

Mr. Toothman asked is this methodology unique to our development or is by statute?

Mr. Crumbaker responded the reports themselves are not statutory driven, what is statutory driven is the assessments themselves and contributing to the process is the notice requirements, the resolutions have to be adopted that is statutory. With respect to the basis for our assessments that is more case law and common law so it is based on benefit and there is case law that says it has to be fairly and reasonably apportioned. What is reflected in those reports are the reports themselves are adopted per statute but attached to that and the basis for the assessments themselves are based upon common law principles of benefit which is required for purposes of assessments and for them to be valid.

On MOTION by Ms. Herrera-Gray seconded by Mr. Toothman with all in favor the workshop adjourned at 5:27 p.m.
