

SOUTH VILLAGE
COMMUNITY DEVELOPMENT DISTRICT

The February 7, 2017 meeting of the Board of Supervisors of the South Village Community Development District was continued and reconvened on Thursday, February 23, 2017 at 6:30 p.m. at the Eagle Landing Residents Club, 3975 Eagle Landing Parkway, Orange Park, Florida

Present and constituting a quorum were:

Gary Cross	Chairman
Grant Krueger	Vice Chairman
Kelly Hermening	Supervisor
Chris Payton	Supervisor
Bobby J. Poole	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel
Matt Biagetti	Director of Aquatics & Recreation
Rob Dugan	Arnold Palmer Golf
Corey Hamlin	Arnold Palmer Golf by telephone

The following is a summary of the minutes of the February 23, 2017 meeting. A copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS

Roll Call

Mr. Oliver called the reconvened meeting to order at 6:30 p.m. and called the roll.

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Discussion of the West Bank Property

Mr. Oliver stated as you will recall at your January meeting the developer made a proposal to the board to consider bringing the West Bank property into the district and that represents 170 residential lots and he provided ten deal points for the board to consider. You had some discussion with him and you discussed it at your February 7, 2017 meeting and continued

that item for more discussion tonight. If you are so inclined, we will invite Mr. Arrowsmith to your March 7th meeting for further discussion. Chris Payton as well as several staff members had a conference call today to discuss the status of the negotiation. Chris was appointed by the board to conduct those negotiations and he can update us on those discussions.

Mr. Payton stated it is still 70+ acres, he has now moved that to a possible 74+ acres to acquire the pond on the other side. The number of lots moved from 170 down to 169 with the lot sizes being 53 and 70 foot lots. He is requesting that the current amenity management operations and developer funding agreements remain in place for a period of one year from the date of this agreement so it is down from three to one on that. He also agreed the existing amenity management agreement would increase by one full-time maintenance person under the current agreement with no additional cost due to that. This property would include a recreational area of playground, play fields and other features decided by our board and funded by East West Partners up to \$500,000. The CDD would receive a fee of \$3,000 per lot at each lot closing that was \$510,000 based on 170 lots so it would be \$3,000 less. Once built out the district would collect those additional O&M fees of about \$226,000 a year. We would also collect the existing social initiation fee for the golf course of \$500 per lot, which is about \$85,000. We talked about increasing the per lot assessment fee to \$4,000 East West Partners said they would agree to that if they would reduce that exact amount from the \$500,000. The sticking point is the debt service, which was the purpose of our call today. I wanted to make sure he understood that those would be subject to debt service the same as the rest of them and my understanding is that they will issue bonds for the infrastructure over there, that will be paid only by those residents, those 169 lots. Those plus the \$3,000 per lot would put them in the ballpark of the Phase 5 lots and what they pay.

Mr. Cross stated he would issue his own bonds.

Ms. Buchanan stated remember that these are municipal bonds so only the CDD can actually issue them. We would have to agree to do that for him but the truth is he would have a financing team funding agreement so that any costs that were incurred along the way he would be responsible for paying and the cost of issuing the bonds similar to what happened last time they are wrapped into the financing. Ultimately the cost of issuance would be spread across the 170 lots.

Mr. Cross asked what about the existing debt? Would they be responsible for that too?

Ms. Buchanan responded no, there is no existing debt on those lots. He would have separate bonds that would go on his properties and we have our bonds that was set here and just like Dream Finders has their own bonds that sit on their piece of land. It is essentially West Bank, Dream Finders and the remainder of the community. There are three different bonds, three different accounts, three different securities that support the bonds.

Mr. Krueger asked the \$3,000 per lot plus the \$500,000 for infrastructure.

Ms. Buchanan stated which would be part of the bond issuance I would think.

Mr. Cross stated basically East West is buying in at zero because the homeowner is going to eventually pay for the buy in.

Mr. Payton stated you are right the \$500,000 for recreation will be paid by those residents but the \$3,000 per lot at closing would not be bond money.

Mr. Cross asked is the additional 4 acres a pond?

Mr. Payton stated he labeled it pond/park site.

Mr. Cross stated the only thing he has given in on per se is the three year to one year on the amenity management and the maintenance person.

Ms. Buchanan stated if you want to start with the costs and benefits, starting with the benefits if these are not necessarily things that are out of pocket expenses for Roger but just things that the district would have the \$510,000 and that would come from the \$3,000, which is unencumbered. You don't really have a benefit necessarily from the issuance of debt that is kind of a wash. You do have the benefit from the additional operation and maintenance expenses.

Mr. Cross stated I disagree with that because there are costs associated with that so it would be the full \$226,000.

Ms. Buchanan stated you would have the 169 units with their social fees for the golf course that would be a similar deed restriction and that is something you could have.

Mr. Cross stated we get another amenity or park, that is a benefit.

Ms. Buchanan stated I agree and perhaps that may be an area you want to push harder on to have more control over what those improvements might be because ultimately if it is going to be part of the community you might want to put some limitations on it.

Mr. Payton stated when I sent this to him I put in those features to be decided by the South Village CDD.

At this time the discussion of the West Bank property was put on hold to discuss current needs.

Ms. Buchanan asked what do you think the community needs right now?

Mr. Cross responded at this point we need to let the dust settle, make the repairs that we need to make, get the golf course running the way we want it run, get the repairs made at the golf course rather than talk about bringing in 70+ acres, which takes up our time when we can be discussing more pertinent things. I think this benefits Roger more than us and we spend more time negotiating this among the board than we do negotiating a contract to stripe the parking lots.

Ms. Buchanan asked do you think we have enough money to accomplish all those things that you want to do?

Mr. Cross responded yes over time.

Ms. Buchanan asked what would it cost to redo the greens?

Mr. Hamlin stated without taking into account lost revenue it is \$150,000 to \$200,000 to redo greens and that is the barebones redo. I have seen properties that rebuilt their greens to U.S.G.A. specifications and it has been from \$50,000 to \$60,000 per green so somewhere in the \$800,000 range. The golf course is not due for greens any time soon. Normally greens don't get done inside of 20 years.

Ms. Buchanan stated that is good to know. I want to make sure we have a bigger picture now because we have some big expenses that we could potentially be responsible for. If that \$50 per unit isn't enough is there a way out of this deal that you could get more money? One of the deal points that he said was that he would deficit fund the budget. Is it appropriate for us to build in a much higher reserve line that he essentially would fund to help us build up those reserves and that be his O&M contribution?

Mr. Oliver stated this isn't going to be an immediate cash infusion as the money doesn't come in until the lots are sold.

Mr. Cross stated ultimately it is going to impact our roads, our entrances, because they have to be maintained. We are going to get an impact to the pools and playgrounds. He has shot down everything except the length of the contract. I would rather have \$4,000 a lot and take the extra off the up to \$500,000 that may not come in.

Ms. Buchanan stated it is your bond money your project you have to find the contractors or you are the ones buying it from him. That is the cost of doing business is that you are going to be involved in every level on how that money is spent, the proceeds.

Mr. Hermening stated my neighbors are heavily opposed to us being involved in this. The counter to that is it is very attractive to have that amount of money added to our budget and recurring revenue.

Ms. Buchanan stated the initial sheet that he provided said you are going to get \$1+ million out of it. Everybody pays O&M, everybody pays their golf course fees but it is another revenue source that you would have the ability to use.

Mr. Cross stated go back and tell him that we are stuck on the \$4,000 per lot, a fulltime maintenance man now, and another maintenance man once he finishes the property to maintain that property.

Mr. Poole stated and you want that at no cost.

Mr. Cross stated no cost.

Ms. Buchanan stated the \$4,000 is not part of the bonds.

Mr. Payton stated to be clear you want \$4,000 per lot not tied to the \$500,000 and a maintenance person hired at this time.

Mr. Oliver stated this maintenance person is in addition to Joseph, correct?

Mr. Cross stated yes. I would like the maintenance person now, but it is not tied to this agreement.

Ms. Buchanan asked do you want to take a minute to think about how you are going to justify the cost of this agreement not just explain the cost of the agreement should you be asked?

Mr. Cross stated it is a matter of seeing the whole picture. Armstrong was taken out and that was 500 lots and this is 169 lots and there is revenue from that 169.

Mr. Hermening stated it is also what we were told when we bought here, about the parks and we have one. Adding these parks we would still be short of what was on the master plan.

Mr. Oliver stated one of the deal points was talking about when these lots are developed and sold they will fully participate in O&M assessments as they should. His last bullet was O&M costs for the annexed lands will be minimal. I would think even before they are sold or developed, they still would have the same admin assessments, as Phases 1 through 4 did and Phase 5 does.

Ms. Buchanan stated I assume so.

Mr. Hermening asked are we as a board leaning in favor of this despite all the concerns we have heard?

Mr. Cross stated I was leaning for it and now I'm waffling a little bit.

Mr. Krueger stated we aren't going to see this money for two or three years and we have issues. Right now we don't even have our head above the water at this point.

Ms. Buchanan stated maybe I wasn't clear enough maybe you should examine again the deficit funding of a reserve line item starting now.

Mr. Hermening asked why do we barely have our head above water? We just took on bonds, how much money was left over after the purchase of the golf course? We haven't spent that yet.

Mr. Cross stated I think financially we are okay it is a matter of getting done what we need to get done. With Phase 5 coming on board they will be paying into the reserve fund.

Mr. Krueger stated unless we have half of Phase 5 and the other half will probably be the following year.

Mr. Poole stated it wouldn't be too difficult to run those financial scenarios.

Mr. Oliver stated I would say you do not have to have an assessment increase for fiscal year 2018. With the first phase of Phase 5 being platted that is going to inject another \$125,000 of revenues into your budget for fiscal year 2018 and the second half will add roughly another \$125,000 injected in 2019. By that point you are getting an additional \$250,000 a year for O&M, capital reserves and for the golf course.

Mr. Poole stated if you run the numbers I think the people in our community would be very happy to hear that based on the projection of Phase 5 coming in that there would be no projection of increases in assessments over the next two fiscal years.

Mr. Oliver stated I certainly wouldn't go beyond fiscal year 2018, but as you enter the budget process I don't think you have a need for an increase,

Mr. Cross stated we will probably have to have an increase in reserve funds.

Mr. Poole stated run a scenario and see what comes out and make a recommendation.

Mr. Krueger stated you still have to look at the capital reserve study that we did and how we are tracking on that.

Mr. Oliver stated the bond proceeds that Kelly referred to are for new projects and renovations to existing projects. Your capital reserve fund that you already had set up is for repairs and replacement of assets. I think you are slowly building that up, but you have had many years of deferred maintenance here and we are still in catch up mode.

FOURTH ORDER OF BUSINESS

Discussion of Scope of Services for Golf Management RFP

FIFTH ORDER OF BUSINESS

Discussion of Onsite Staffing Organizational Structure and Duties and Responsibilities

Mr. Oliver stated the next two are related. Kelly continued to work on these documents and those were circulated to you yesterday and I put a hard copy in front of you. Kelly can give an overview of the changes he has made.

Mr. Hermening stated one document is a request for proposals for amenity center, golf course and restaurant management. I made some changes to the organizational chart based on input from one of our amenity people. Our current general manager holds responsibility over the golf course and the restaurant. This has the general manager having oversight over all of the seven different areas. This combines some of the responsibilities that we talked before about combining ordering of food and beverages under one agreement. As we go through we can talk about what the duties and responsibilities are and they can be fleshed out and we have someone in the neighborhood who has offered to help expand on those and review those based on his experience. Everything listed would be a fulltime position with the exception of the director of operations. That is currently under a separate agreement and I think it is a good idea to pull it into this but that would be counted as part time unless we need it fulltime. Some of the oversight that Steve has we could give to the general manager who is onsite.

If we decide to have two separate contracts and we need to put the golf course contract out to bid right now then I have the other one. My concern is I think it serves the community better to have cross functional oversight even between those two contracts. I don't think we need to push this out in my opinion until we are able to push out a combined RFP. All I did on this one was pull it directly out of their scope and responsibility.

Mr. Cross stated you are suggesting that we do an extension and in the meantime work together similar to this structure and then go out to be on a combined contract.

Mr. Hermening stated correct.

Mr. Cross stated I agree.

Mr. Hermening stated that means we hire or promote somebody currently on staff to run special events. I think if we put a GM over everything you are decreasing responsibilities by threefold and I think we are going to have some discussions with Arnold Palmer with how we compensate for that.

Mr. Cross stated I agree but the question is would we have to hire more staff to complement this or do we give everybody extra duties?

Mr. Hermening stated the only position we have added is director of special events for all facilities. You have somebody coordinating membership, somebody at the clubhouse managing memberships and somebody down here.

Mr. Payton stated I have no objection to one person doing memberships. I don't know how much more staff you have because we are kind of double staffed now with the same functions.

Mr. Krueger asked where are you going to get the funding for this?

Mr. Hermening stated the only additional funding is adding the scope for the general manager.

Mr. Krueger asked what does that cost?

Mr. Cross stated the director of food and beverage is going to increase his workload also because he is going to have to oversee the kitchen now.

Mr. Hermening stated we talked about that before he is overseeing the ordering and the inventory for the ordering of which the actual food ordering is being done by the chef, the beverage ordering so it is really just coordinating those deliveries.

Mr. Cross stated I disagree because I have a chef and director of food and services at the golf club and that same director is going to have to come over here to make sure this kitchen is being managed also and you have bar there and you have a bar here so you have to manage two bars so you are doubling their workload.

Mr. Payton stated maybe what he is saying is that although we are asking them to provide oversight more or less asking them to change the next year, who is doing what, not just more coordination between the two with oversight.

Mr. Cross stated they are willing to do that. I think it benefits them in the long run.

Mr. Hermening stated I think it is a matter of having a conversation with the leadership of how to best meet our vision. I think they understand the vision that we are trying to go for.

Mr. Cross stated we can't all be there and somebody will have to sit down with them.

Mr. Hermening stated I can attend.

Mr. Cross stated I appreciate all that you have done and your citizen input and you and staff have done a great job.

Mr. Payton asked your vision is at the end of the year if we move forward with the extension of a year we only offer a combined contract for bid?

Mr. Hermening responded yes and I changed the wording of how we had it listed before.

Mr. Krueger stated I think we need to do the one year extension, have the golf course extension expire at the end of the fiscal year the same as the amenity contract so in essence it is a 15 month extension.

Mr. Poole asked how do we look at the profitability as it relates to the various cost centers and the operations?

Mr. Hermening stated I think we have to put something here and I have not done that yet, how to put the measurement of their deliverables.

Ms. Buchanan stated as far as putting it in the package I think you can have an explanation of it and you can attach a form of agreement that we should advise people of our intentions.

Mr. Hermening stated going back to the question about bidding it as one we can say you can bid on a portion but it is our desire to consolidate it in one agreement.

Mr. Poole stated we have a financial chart of accounts so the question gets down to how do we as a board feed into what those profitability goals should be or do we look at it from an enterprise standpoint and say general manager this is what we want.

Mr. Oliver stated you are going to be dealing with the company with which you contract and it will be up to them to provide the financial incentives for their employees.

Mr. Cross asked where do we start the incentives? Is it under profitability?

Mr. Oliver stated the profitability is probably the easy one to measure. More difficult is measuring all these other support type functions.

Mr. Hermening asked how do you structure those agreements if you are not meeting the goals is your payment less?

Mr. Krueger stated you can always bring in NGF to make recommendations.

Ms. Buchanan stated I think you are going to have to look at staff to find examples of how other companies do it and then bring back proposals. I don't think we can solve that tonight.

Mr. Hamlin stated we can provide benchmarks and comps and comparables to other properties of the same size and stature and present those to you at your March 7th meeting. That way you have a working outline of what those comps look like and profitability is easy to measure whether it is food and beverage or overall GOP percentage. You can get into some metrics that are a little trickier to understand whether it be your revenue per available tee time, your ADR's and get into some of those golf metrics that are difficult to measure but that would show overall growth and health of your club.

Mr. Cross stated you can bring those to us and give us an explanation on each one so we understand what we are looking at.

Mr. Hamlin stated it is like a glossary of terms and that will show not only food and beverage net income but more golf specific terms such as revenue per available tee time, playable rounds, those kinds of things that would show where your golf club is at the current state, where it has been in the past and it will show the overall health of your club and we can use those terms to show an incentive based program if you are growing certain percentages that would be easy to show.

Mr. Hermening stated East West also manages a lot of properties so if they have some kind of built in metrics in their other agreements we can reach out to them.

Mr. Biagetti stated I will check.

Mr. Oliver stated I passed out at the last meeting a Golf Management RFP for Sun 'n Lake Improvement District in Sebring. It is governmental entity like ours. The way they structured their RFP is they invite qualified proposers to review all of the assets, facilities and operations of the district and ask these professionals to put together a staffing proposal to operate those facilities. It places a burden on the experts to come back to the district with a plan of how to staff and operate. You are not relying on what are we doing right now, but rather having management firms explain to you how they would staff it. This RFP contemplates certain management agreement details and proposed performance incentives. It says that the annual management will be paid in equal monthly installments unless otherwise agreed to by the

proposer and the district in the contract negotiating phase. Any incentive payments will be paid within 120 days from the end of the fiscal year. This goal-setting and incentive planning is a process to be accomplished in advance. It is doable.

SIXTH ORDER OF BUSINESS

Ratification of Proposals for Design Services for the Golf Clubhouse Renovation

Mr. Oliver stated you approved this at the last meeting with a not to exceed and we were just going to bring back whatever proposal Steve received from the designer. We will put that back on the agenda for March 7th.

SEVENTH ORDER OF BUSINESS

Other Business

Mr. Cross asked what about the golf carts?

Mr. Dugan stated Chris Hamill, vice president of Arnold Palmer Golf has been working with a finance company to get you out from underneath that five year lease. We basically have two years left and are upside down on our golf carts and there is about \$200,000 lease buyout. It looks like they have negotiated a \$25,000 buyout and you are looking at proposals for what we recommend is a 42 month lease. One is with the carts staying patriot blue and one is with golf carts being a standard color at no extra cost and that would be less than \$100 a month difference in that 42 month lease. This is for 74 carts, which is what we currently have.

Mr. Hamlin stated if you have noticed on the new fleet proposal from E-Z-Go we were able to secure a 46% discount off the sticker price of those golf carts, being that we work with over 100 properties throughout the United States we have a little bit of power with those major vendors, E-Z-Go, Yamaha and Club Car. I strongly urge you to not go outside of the 42 months on a lease due to the level of battery wear. One thing to note on the proposal is that it has a 25,000 amp power warranty, which is higher than normal and a 36 or 42 month lease will under normal wear and tear get you to the end of your lease cycle. I can have pamphlets available at the March 7th meeting. We can have the final pay off documents from the bank well in advance of the March 7th meeting.

EIGHTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

Mr. Hermening stated this lease buyout is probably an either or proposal but Grant's question how do we propose to fund a GM I think last time Roger said he would fund half a maintenance person and somebody else.

Mr. Payton stated the question to him was half a maintenance person and then they would appoint a responsible person they didn't call him a general manager. We went back to him said forget about a general manager because we were going to extend out current general manager and asked him to give us a full maintenance person.

Mr. Painter stated if we are going to have a general manager take over managing these facilities we are sitting in that is less than East West Amenities has to manage. Could we go back to them and say we are going to reduce the amount we pay you because you are not managing it anymore we have someone else who is managing it for you.

Mr. Payton stated that position doesn't exist.

Mr. Painter stated it doesn't exist but someone manages Matt and the tennis pro, someone manages all the people. If we are going to have someone take over doing that it means less they are doing, give us some money back on the contract. It's just a suggestion.

Mr. Payton stated the problem is there is no one doing that today.

Mr. Painter stated someone asked what it would cost to rebuild the greens. When we were looking at buying the golf course our committee put together a 25 or 30 year capital needs list for the course and you probably still have that. It is not dead on but it is close enough for budget purposes and tells you by year how much we think we would spend. I think the Arnold Palmer people should look at it and say yes we agree with that or here is something you missed or something we want to adjust. We have numbers you can use.

Mr. Hamlin stated I agree Mr. Paynter did a great job on that document. I have a copy of it and it is pretty darn close to a good working document of where you stand with some of your possible deferred maintenance and capital improvements. Thank you, Mr. Paynter for doing that document.

Mr. Painter stated in terms of the examples of what Kelly is proposing we do as to an overseer for the whole thing, I think Eagle Harbor does exactly that today. I think they have one company that manages the pool, golf, tennis the whole nine yards. Do we have access to any input as to how they do it and what incentives they might have?

Mr. Hermening stated golf is handled separately.

Mr. Cross stated they handle it all. I met with them the other day.

Mr. Dugan stated I don't think there was a final selection made on the paint color at the athletic center or are we keeping everything the same over there?

Mr. Payton stated I will work with you on that.

Mr. Dugan stated Chris and I have been working and we will have multiple fence companies come out and I don't know if we can do a not to exceed but the first quote to repair all the existing fencing around the tennis court area was \$8,0000.

Mr. Cross stated bring us what you can March 7th. Fence companies don't like to come out for repairs because there is no money in a repair. If you let them know it is quite a large repair you may have more response.

Mr. Poole asked where do we stand on the tennis court proposals?

Mr. Payton stated we have three bids that I shared with you. They are more than was budgeted and I am currently working with staff on options. Once we figure out options we will rebid it.

NINTH ORDER OF BUSINESS

Next Meeting Scheduled for Tuesday, March 7, 2017 at 6:30 p.m. at Eagle Landing Residents Club

Mr. Oliver stated the next meeting will be held March 7, 2017 at 6:30 p.m. in the same location.

On MOTION by Mr. Cross seconded by Mr. Poole with all in favor the meeting adjourned at 8:25 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman