

SOUTH VILLAGE
COMMUNITY DEVELOPMENT DISTRICT

The continued meeting of the Board of Supervisors of the South Village Community Development District held February 3, 2015, reconvened Tuesday, March 3, 2015 at 6:30 p.m. at the Eagle Landing Golf Club, 3989 Eagle Landing Parkway, Orange Park, Florida.

Present and constituting a quorum were:

Gary Cross	Chairman
Grant Krueger	Vice Chairman
Richard Townsend	Supervisor
Chris Payton	Supervisor
Bobby J. Poole	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel
Sarah Warren	Hopping Green & Sams
Keith Hadden	District Engineer
Matt Biagetti	Director of Aquatics & Recreation
Steve Andersen	Operations Manager
Kevin Mulshine	MBS Capital Markets LLC

The following is a summary of the minutes and actions taken at the March 3, 2015 meeting and a copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS

Roll Call

Mr. Oliver called the meeting to order

SECOND ORDER OF BUSINESS

Audience Comments

Mr. Painter stated the comments that are attached to the survey indicate to me that the community does not feel well informed about this whole process. The board and the rest of us have an obligation to improve that situation through these types of meetings or mass mailings. People had a lack of information and are making wild assumptions and drawing conclusions from those.

Mr. Oliver stated we will talk about the survey later in the meeting. The initial survey was to take the temperature of the community on this issue.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the February 3, 2015 Meeting

On MOTION by Mr. Cross seconded by Mr. Townsend with all in favor the minutes of the February 3, 2015 meeting were approved as presented.

FOURTH ORDER OF BUSINESS

Discussion Regarding Opportunity to Purchase Golf Course

Mr. Oliver stated the next two items are interrelated, the discussion regarding the opportunity to purchase the golf course and the other is an update regarding the Series 2005 Bond refunding and other financing scenarios. Rhonda Mossing was at our last meeting to talk about the refunding of the bonds without regard to the golf course. In mid-January before our January 20th workshop we were asked by the golf course owner if the district were interested in entertaining the opportunity to purchase the golf course. At that meeting the board decided they need to get more information and before we spent a lot of time, effort and money on the due diligence process they wanted to see if the community is even interested. That was the purpose of the survey, realizing this would just be the start of the process and that we did not yet have much information.

We wanted to get a quick snapshot of the general feeling about this because the golf course owner wants to move this along a fast track if possible. The golf course owner said that there were a couple offers on the table already, but he felt the district should have the opportunity to purchase the course, in essence to control their own destiny of what happens to the golf course in future years. The survey was not intended to be a referendum, but to give the residents a chance to have input realizing that if this goes forward over the next several months there would be other opportunities to conduct surveys and to have the required public hearing if we were going to issue bonds to purchase the golf course. The comments from the survey were very good on both sides of the issue, but also other issues that affect any such transaction.

Mr. Oliver reviewed the results of the survey, copy of which is attached hereto and made a part hereof.

Mr. Oliver stated also included in the agenda package was a proposal from National Golf Foundation Consulting that I obtained so you can see the type of services that are provided. They do not do certified land appraisals of the golf course they do the valuation based on different approaches. The cost is roughly \$19,000 and is not something you need to act on tonight.

The board directed us to send a letter to the golf course owner asking for the last three years of financials and they provided those last week and I emailed that to you. The vice chairman has analyzed the financials to determine the impact owned the golf course. The district would not be subject to certain things such as paying property tax or current debt service on the land because that would be paid off through a sale if that were to occur. That makes a difference of about \$50,000 in annual operating income.

Mr. Krueger stated they gave us financials for 2013, 2014 and a budget for 2015 and if you take out things such as debt service they are paying, property taxes and CDD fees in 2013 they actually made \$20,000, 2014 they made almost \$90,000 and in 2015 they are projected to make almost \$150,000 profit. If the CDD owned it, if social dues was based on full build out of 1,305 lots that adds another \$150,000 to our bottom line so the example of 2015 instead of making \$150,000 you make almost \$300,000. This gives a quick shot as to where they are and they always advised that they were losing a couple hundred thousand dollars and when you take the property taxes and debt service into account they are losing about \$200,000. We are going to talk about debt service and Kevin is going to give us scenarios and one where your fees don't go up at all. We don't know what the debt service would be we don't know what the sales price would be.

Mr. Oliver stated although that is a snapshot look at unaudited financials, it does show that break even is achievable. As to the debt service, it would be up to the golf club owner to pay off the debt when they sold it. The district or another owner would have their own debt structure.

FIFTH ORDER OF BUSINESS

Update Regarding Series 2005 Bond Refunding and Other Financing Scenarios

Mr. Mulshine stated I will talk about the existing debt of the district and refunding opportunities that are totally unrelated to the purchase but you put them together when you are considering debt financing. In 2005 this district issued approximately \$25 million of debt that

was secured by 30 year assessments that everybody here sees on their tax bill every year, some people paid them off early but that is only about 40 units. When we issue bonds that are secured by special assessments levied upon residences the cash register for the district is the tax folio numbers and in this district there are 1,353 tax folios to pay for the bonds. When we issued those bonds they were higher interest rate bonds because at the time they are much more risky because they are relying on one developer to pay them. However over time as homes sell the nature of the credit changes from undeveloped property to homeowners and becomes much better. We work with Standard & Poor's Corporation and we will need to get to about 70% of the assessments being paid by homeowners opposed to a developer. We come back each year because you keep getting closer and closer and right now there are 1,353 folio numbers and there are 735 vertical homes and it is about 55% of the assessment revenue coming from vertical properties and the developer is also working on selling what we call Phase 5.

Mr. Krueger stated that has already been sold.

Mr. Mulshine stated it is under contract and when that is sold we are going to try to work with the bondholders because there are 217 of the 1,353 assessment units allocated to that parcel and we are going to try to split the bond issue so that the bond issue that you folks are paying on is only 1,135 units that is real close to the 70%. We are getting very close to being able to have a refunding opportunity if Phase 5 can fall into place and that gets sold and we split that off.

We took a look at the savings based on various Standard & Poor's ratings and we think the district would be in place to save somewhere around \$110 a year if we did a straight refunding and that is all we are doing.

Relate that to what we are talking about, which is the golf course. There are many districts around here such as Julington Creek and others very highly amenitized communities and a lot of the districts will come to us and say we are becoming mature but we also want more amenities such as a golf course or something like that. At the same time we refund a bond issue we will add in some new money to get them basically back up to the old debt service amount they are paying. Without changing any of the assessment we could add about \$1.7 million of debt without increasing the assessments, in other words use that \$100 a year savings, keep the assessments the same and finance about \$1.7 million to go towards the golf course but that isn't enough to pay for all the golf course operations. Every home for about \$60 a year raises about \$1 million. We ran a scenario where we started with the same assessments we have today but

right now everybody's assessment goes away in 2035 if we extended that to 2045 at the same exact assessments, they would stay within a couple dollars of what they are today if you did a refunding at the same time as trying to raise \$3 ½ million for the golf course and other things.

Right now this district has \$21.8 million in debt outstanding. By virtue of the fact that we are getting to that 70% number, we feel we can bring the rates to the district down to around 3.8% or 3.9%. That debt only has 20 years left on it, if you went to 30 years and issued \$27 million at 3.8% the annual debt service would be about the same but your debt would extend to 2045.

Several residents voiced concerns about the proposed purchase of the golf course, the effect on their home values and potential future costs.

Mr. Krueger asked what is the feasibility of doing scenario 1 now and down the road doing another funding to purchase the course or make improvements?

Mr. Mulshine stated I believe your counsel and manager will tell you whether you do it now or do it later you have to go through an assessment process for a project because it would be secured by assessments on the homes. There are some savings to do it at the same time but we have had other districts come to us two or three years after refunding to issue more debt and as long as they go through the public hearing process it is fine. There are economies of scale but I wouldn't let it drive your business decision.

Mr. Oliver stated staff will be looking for direction when we leave tonight as to whether you want to conduct more research, continue the meeting, come back to the April 7th meeting, pursue a refunding and discuss the purchase of the golf course at a later date. There are different things you can decide tonight but those are the things you ought to be thinking about.

Mr. Cross stated let's hear from the board before we go to audience comments.

Mr. Poole stated I'm looking at the scenarios and Mr. Mulshine talked about extending the payment an additional ten years.

Mr. Mulshine stated scenario 7, which is we have \$21.8 million outstanding at 5.7%, we would take it up to \$27 million to fund \$3.5 million in improvements of new money and extend it to 2045 so the new money portion is in that 20 to 30 year period. The assessments would go up by \$2.29 that is what it was the day we ran the numbers against market rate by filling in that last ten years and taking up the savings of \$100 a year what happens is we can produce \$3.5

million without really increasing the assessments. For every million dollars you want to raise for new projects it is about \$60 per year per resident.

Mr. Poole asked what are the legal requirements if we chose for example scenario 3 for allocating that or identifying what it is for?

Ms. Buchanan responded you would need to adopt an improvement plan, whether that would be purchase of the golf course or certain improvements that we want to undertake but we have to adopt a project, identify our costs associated with that project and that cost plus the cost of issuance for bonds would be what was actually assessed on the properties.

Mr. Poole asked what is the length of that project, one year, five years?

Ms. Buchanan responded generally bond funds are expected to be spent in three years.

Mr. Mulshine stated on new money projects the state laws limit us to 30 annual installments that is where I get the 30 years, when we show those 30 year scenarios paying it back.

Mr. Payton asked in your talks to Roger did he give us a price for selling the golf course?

Mr. Cross stated when I talked to him he told me \$2.8 million but that wasn't a hard number.

Mr. Payton asked who did the scenarios?

Mr. Krueger stated this is a product of the working group.

Mr. Payton stated I think this should go out if we do another survey.

Mr. Kruger stated before we can put that out there we were waiting to get some more clarity on the financing and include that.

Mr. Payton stated before we started this golf course discussion we planned on doing a refunding to get some capital to either finish or improve the planned amenities. Many people have mentioned three or four parks that have yet to be built, four tennis courts yet to be built, we have amenities that are falling apart, gym equipment in need of replacement, pools that will need resurfacing. I would caution against scenario 1 where we just give money back to the residents because next year we are going to take it back again. Golf course aside I think funding scenario 1 or 2 where we have some capital are possible. I think we need to collect more information on how people feel about it going out ten more years.

Mr. Townsend stated I kind of piggyback on that. I would hate to miss the opportunity to refund the bonds because ever since I have been on the board we have talked about it. It seems

no matter what we have \$1.7 million out there right now. I know we have a lot of projects, I know we spent a lot of money developing a long-term plan of things that need to be done. I don't know if that qualifies for the bond refund or not but there are projects on paper that we developed. I don't play golf but I live on the golf course and I love the golf course but I went to Eagle Harbor and they have some concerns. They had to come up with a three to five year plan and their plan now is to put more money into the clubhouse to make banquet facilities and try to draw people in with the food to offset the cost of the golf that they are losing and I don't know all the inner workings but they did this presentation. Dick's Sporting Goods let 500 PGA professionals go in July last year. The comment was made about 1,400 courses that have closed in the last eight years and how many golfers have left the game in the last ten years. I really don't know the right way to go. I appreciate everyone coming out and giving input and I agree there is a lot more to it than saying we are going to make \$80,000 a year because whatever money we put into it that is going to be money that is tied up in whatever amount of years, 20, 30 or 40 years to pay off the debt. I appreciate the input.

Mr. Mulshine stated I would like to make one comment to make sure my presentation wasn't misleading. When Phase 5 gets purchased my guess is that Dreamfinders Homes will probably come in and say can we do additional financing just on our parcel and will only be secured by their parcel, they couldn't leverage anybody else to get it done. Even if you said go and do the refunding with no new money it would take a couple of months before all those things fall into place because I know how real estate closings go so as far as the funding side we clearly aren't looking for direction today to say proposal 1 through 7. I'm trying to give you the options as you are considering the golf course at the same time.

Mr. Cross stated I talked to a gentleman who owns two golf courses here in Orange Park and he was very positive about how good golf courses are but of course what I got out of it was if we buy he wants the contract to run it because he does that also. He talked about all the money he was making on these golf courses but he didn't know that I was aware that on one of the golf courses he has actually gone to the homeowners association and told them he wants social dues because he can't make it. I went to Eagle Harbor. They are not paying their bonds but that is a different scenario than what we have but according to them they are making money. At the same time I see all this negative I also know ultimately if we purchase it we would have the say so on what happens to the property. Let's say the worse case scenario happened, the golf course didn't

make it, nobody was playing golf, we can't afford to run the golf course anymore but we own it so now we can go to developers and say we will sell it to you but you have to put single family homes or whatever and get it rezoned or we could say let it be woods and we own it all and pay whatever we have to pay. At the same time I look at the other side if people are willing to buy it that run golf courses I'm a businessman I'm not going to buy a business unless I think I can make money. Is there money to be made? I don't know I don't own a golf course. I'm still up in the air with it I don't know where to go with it. It is a lot of money and it affects a lot of people, it affects you. Don't think the board or I are taking this lightly. At this time no decision has been made and there are a lot of questions that have to be answered.

I will open it up to the audience.

Mr. Crater stated this board voted several months ago to assess \$50 on each lot for a capital improvement reserve. If we were to do the refinancing would that build the capital reserve and the \$60 per lot go away and we would save the \$50?

Mr. Cross responded we will probably never lose that \$50 and it depends on how much we can borrow if we can set money back to keep that reserve or if the golf course ends up eating it. Everyday I see things that need to be repaired and I get phone calls and talk to people about things that need to be repaired. I have to look at that side because I'm conservative with my money. I would rather fix the roof before I put the addition on the house. That bothers me too the fact that I'm going to buy a golf course but I need to fix this also.

Ms. Buchanan stated one clarification is that we won't be able to take money from the issuance and put it in O&M reserve, you are going to have to use that on a project. But, you could include some of the repairs that we want to do in that project so then you free up that money elsewhere.

Mr. Sanders stated say we purchase the golf course and the golf course is doing great and we are putting money towards the pot. Are we then able to take that positive equity off the golf course proceeds and put it into some of the other projects?

Mr. Cross responded yes, we can just move it from one pot to the other basically.

A resident stated once you look at what it costs to maintain a golf course over the life of it and how much money you have to put aside to maintain the greens I'm not sure that money from any given year would go anyplace except the golf course.

Mr. Gravin stated I think you said there were 40 lots that paid their assessment off. Where does it leave those people?

Mr. Mulshine stated any time a project is done they would be exempt and if we did any kind of a bond issue, refunding the bond issue, new money in the bond issue, everybody would have to pay for the new money component not the refunding. If I lived here and was one of the 40 that prepaid I would still have to pay my pro rata piece of that new money.

Mr. Shaw stated we are saying this money is available right now based on the interest rates how long do we have to act on that? At what point does it start going up?

Mr. Mulshine stated interest rates fluctuate all the time it is the same as when you refinance your house it is a question of the interest rate market. They did start trending up in the last six weeks or so 30 or 40 basis points, which is about 3/10 of 1% but it isn't really until you make decisions there is nothing to do about the interest rate risk side of it. It is an opportunity out there and interest rates are going to fluctuate if interest rates go up a little bit you may say sit on it for another couple months.

A resident asked if we were to wait another couple months we would be further built out so our 70% build out could be 75%.

Mr. Mulshine stated I should have stated that more clearly, the 65% was as of December 31st so we are pretty confident that we are getting there but the more development the better it gets.

Ms. Peltz stated it is my impression that everybody is on the fence but they don't have enough information about it. Without a timeframe why don't we give the resident committee time to finish gathering their facts and information? We are not under a deadline. If you keep getting information from residents and other golf courses and management companies then if Mr. Arrowsmith says he has two offers on the golf course you have to make a decision.

A resident stated the people I have talked to at the Villages and in Ocala and different places some of them have owned two or three golf courses and a lot of them say you have to have more than two of them because you have to expect one to go into bankruptcy and they are going to write that off to maintain the others. Losing this golf course and having it go back to weeds our property values are going to go down.

A resident asked has a professional appraisal of the golf course had been done or are you considering it.

Mr. Cross responded if we consider moving forward we would have that done.

Mr. Krueger stated after discussions we will talk about that.

Mr. Cross stated we are not going to drag our feet but we are not in a rush and we definitely need more input from the residents and the committee that Grant is on can put us there. It is my goal to do your wishes whether I agree with it or not. We definitely need more input from the residents I think staff has done plenty at this point. I think it is up to the residents and board to make a decision.

A resident stated you need to give direction to the committee on where you would like us to go, drafting a letter, drafting a survey, give us a timeline then you need to decide on how you want to review that and give it back to us.

A resident stated one question that needs to go on the survey is, do we spend \$19,000 to get an evaluation. I would rather have the community saying we are going to spend another \$19,000 and see where they stand on it.

Mr. Krueger stated this is one proposal and we need to get other proposals.

Ms. Smith stated the working group that has been working on this and accumulating information is on the same note as the board they haven't decided whether it is a good idea or a bad idea to purchase the golf course. They are just gathering information and feeding it to the board. We are hoping the board listens to whatever we come up with but all the information isn't in and we haven't made a decision. We are all homeowners and the bottom line is what is the best thing for us.

Mr. Krueger stated I would like to get more feasibility studies, more proposals for an analysis and see what they charge.

A resident stated I'm concerned the rates are going to go up and we will leave money on the table.

Mr. Mulshine stated we are moving that forward as expeditiously as we can. We have been keeping in touch with your district manager and we will give him updates on marketing conditions for every meeting. We will also put together a timeline if and when Dreamfinders Homes anticipates a closing on Phase 5.

Mr. Cross stated at this point staff is going to get proposals for an appraisal. I would like the resident group to meet again. We will continue to watch the closing of the property and the rates.

Mr. Payton stated I would like to have another survey and have the results back for the next meeting.

Mr. Cross stated I would direct the board to continue looking at information available to them whether it be informational on past and present golf courses and the future of any golf courses so they can bring that back to the next meeting.

SIXTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

A resident stated I live across the entrance to the park and there is no parking

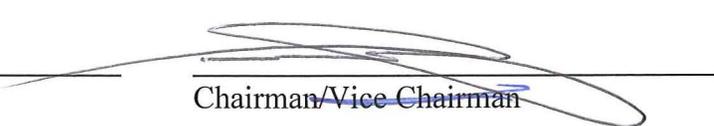
EIGHTH ORDER OF BUSINESS

Next Meeting Scheduled for Tuesday, April 7, 2015 at 6:30 p.m. at Eagle Landing Golf Club, 3989 Eagle Landing Parkway, Orange Park, Florida

Mr. Oliver stated the next meeting is April 7, 2015 at this location at 6:30 p.m.

On MOTION by Mr. Cross seconded by Mr. Krueger with all in favor the meeting adjourned at 8:15 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman