

MINUTES OF MEETING
HERON ISLES COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Heron Isles Community Development District was held on Thursday, May 4, 2017 at 10:30 a.m. at the Compass Group Conference Room, 961687 Gateway Blvd., Suite 201M, Amelia Island, Florida.

Present and constituting a quorum were:

Don Lyons	Vice Chairman
Kathleen Blessing	Supervisor
Justin Blessing	Supervisor
Robert Martyn	Supervisor

Also present were:

Dave deNagy	District Manager
Jason Walters	District Council (by phone)
Sete Zare	MBS Capital Markets (by phone)
Daniel Laughlin	GMS

FIRST ORDER OF BUSINESS

Roll Call

Mr. deNagy called the meeting to order at 10:30 a.m.

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

Mr. deNagy stated at this point, I would like to insert an item that is not on your agenda. I was going to bring it up under District Manager, but we have Sete Zare with us from MBS Capital. Sete has prepared a presentation, which you received electronically, and I have paper copies. Sete will give you an update on the bond refinancing. At our last meeting the board set a saving threshold of 8%, and we wanted to get you updated on what is going on with that process.

Ms. Zare stated when we last met, the board set an 8% savings threshold. Ms. Zare then went on to update the board on the status of the refunding bonds. She went over the difference between 4.9%, which is current market conditions, a 6% annual debt service savings, and an 8%

annual debt service. With an 8% savings, residents would realize about \$40 on the upcoming tax bill of savings. If it goes down to 10%, it would be \$10 less in savings, but it would be easier to achieve given where we are in the current market conditions. A 4.9% of debt service reduction would result in \$24 of annual debt service reduction. It is about \$10 difference for every 2% of savings. S&P provides us with a rating evaluation, and they did provide us with an A-underlying. That rating evaluation is only effective for six months. There is cost attached for S&P evaluating the underlying credit of the District. The cost for a private rating is \$10,000, and it is \$24,000 for a public rating. That private rating cost can be applied to making it a public rating, which we absolutely have to do in order to market the bonds. That cost will only be applied toward the public rating up until six months, which means we have until June to actually mitigate any added cost for the debt. They provided us an evaluation rating in December, and the six months started from that point, so that is why we have until June. If we don't act on the underlying credit now, we will have to go through the S&P process again later. We can transfer that rating evaluation into a public rating based on the current development status and mitigate against that cost now.

Mr. deNagy asked would it be in the best interest of the District to lower our savings threshold? I guess ideally we would want to be set to refinance sometime before June or whenever in June.

Ms. Zare responded it is whatever the board prefers. Typically these costs come out of the cost of issuance. I can't make that decision for the board. It is definitely the board's decision. I would say that 6% is more achievable because we not far away from that. We can move to the POS and literally be ready to pull the trigger and market the bonds in a dip in the market where we can actually achieve not only 6% but hopefully more. That would be something we could do for the board.

Mr. deNagy stated to try and minimize our cost going forward, obviously we would want to close on the bonds as soon as possible.

Ms. Zare stated to see it come to close, we would have to lower the savings threshold. The market is stabilized to a certain extent, but there is still volatility within it. It is now 4.9%, and at the last board meeting we were below 3%. Six percent would be easier to achieve than the eight percent. The savings threshold the board sets is a minimum, and we will try to achieve a better rate than the minimum that is set.

Mr. deNagy stated if the board is interested in lowering the savings threshold, we will want a board vote.

On MOTION by Mr. Blessing seconded by Mr. Lyons with all in favor to reduce the savings threshold to 6% from 8% was approved.

Ms. Zare directed her comment to Jason Walters and stated I know we have a delegated award resolution that would have to be adopted. Is that something we can accomplish here today?

Mr. Walters asked Mr. deNagy if he brought copies of the updated resolution.

Mr. deNagy responded I did not.

Mr. Walters stated since our next meeting is August, I think our most prudent thing to do would be to continue this meeting to date where we can have a quorum for the purpose of adopting that updated delegated award resolution. What is our date in June?

Ms. Zare responded I believe it would be towards the end of June. I talked with S&P yesterday, and they will provide a little bit of flexibility, but the general answer is June. I can start that process now in terms of translating it over into a public rating. That would not hold us up at all.

Mr. Walter stated I think the most prudent thing to do would be to try to find a date we can call a special meeting, hopefully early in June, and if there is a dip in the next few weeks, we can take advantage of that. That special meeting would be for the simple purpose of considering financing matters, primarily the updated delegated award resolution, and then I will have everyone ready to pull the trigger.

Mr. deNagy suggested June 1. The board members agreed to June 1.

On MOTION by Mr. Lyons seconded by Mr. Blessing with all in favor to have a special meeting on June 1, 2017 at 10:30 a.m. at the Compass Group Conference Room was approved.

Mr. Walters stated we will cover that updated delegated award resolution and take action at that meeting.

Mr. deNagy directed his comment to Ms. Zare and stated before you leave, I sent out to the board yesterday a cost estimate from our District Engineer. We had talked about building a small amenity center with pool and some additional parking. He had given us a cost estimate of just over \$416,000. If you could spell out for the board what the financing options may be for the money to build this facility for the board to consider.

Ms. Zare responded it would be considered new money process, and it is similar to what we did in this transaction. We have to go through an assessment process to actually levy the debt upon each parcel. You are going to be realizing savings, so I can absolutely do an analysis to see what that would translate to on the per-unit basis to see if the savings actually mitigate the additional cost for the new money issue you are considering.

Mr. Lyons stated if we consider that \$416,000 as a maximum, could she have the estimate available by the special meeting date so we could have an idea of what it is going to cost.

Mr. deNagy stated we could ask MBS for their proposal to go ahead and issue the new money.

Ms. Zare stated she could have the proposal available at the June 1 meeting.

Mr. deNagy stated there are additional costs in the outline for the improvements, and he would like to get the Engineer involved so we can get a better understanding of his cost estimates.

THIRD ORDER OF BUSINESS

**Consideration of Resolution 2017-06,
Approving the Proposed Budget for Fiscal
Year 2018 and Setting a Public Hearing Date
for Adoption**

Mr. deNagy stated the public hearing date would be August 3. Located in the agenda package is a proposed budget for FY18. There were some minor line item changes, but at the bottom, the per unit assessment is proposed not to change. The O&M portion is \$377 per year, and it is proposed to stay at \$377 per year. On Page 7 is the Debt Service Fund. These are the current bonds we have. We are talking about refunding the bonds, so the debt portion of your CDD assessment if we refund the bonds may be lower. If we are able to achieve a 6% savings, it would be a \$30 savings on the debt side. Regarding O&M, we are not looking at any increase. I

did dig into the numbers, and we do have contingency. We always build in some contingency in our budget so we have some flexibility with additional costs. We will talk about some unbudgeted items under Cheryl's report later. Looking at the budget right now, I think we could get by another year with O&M staying at \$377, but I think we need to increase our contingency somewhat. I think \$20,000, which would be about a 7.7% increase or \$27 a year per property, which breaks down to \$2.25 per month. I think that would be a good threshold number to build into the contingency, and I would recommend putting it in the repairs and maintenance line item, which is currently at \$12,000. The actual through March 31 is \$10,740, so we have spent a good portion of our \$12,000 budget. We only have \$1,260 left for the balance of the year. We do have some contingency in other line items that we will move around later on in the year. We do show an inter-fund transfer. Think of the money we get in on assessments. We typically have carryover money, and we have some contingency, so we have extra money. You can see that we are actually drawing down from that checking account. We are looking at a \$4,000 drawdown on our checking account to cover our overall expenses for FY18. That is another indicator to me that we maybe should increase our assessments somewhat. I prefer not to draw down on that checking account. It is always good to have a little extra cash there. I will open it up for discussion. For the residents, the budget is a two-step process. The board today will consider approving a budget. I've asked the board to consider possibly raising assessments for FY18. If we decide to raise assessments, we are approving assessments with that increase. There is a mailed notice that will go out to everyone letting them know we are looking at increasing assessments. We have to allow 60 days to elapse from today's meeting before we adopt the budget for the purpose of levying assessments. When we meet again in August, given we have an increase and everybody has been noticed, we will have a public hearing to talk about the increase. We will either leave that increase in place at our budget meeting when we adopt or we can lower it. The only thing we can't do is increase what we have approved. We recommend approving on the high end. We can always lower the budget when we go to adopt in August. Once the budget is adopted, that will be the basis for the levy of assessments for FY18. You get that on your property tax bill from Nassau County in November.

Mr. Blessing asked in this budget, we have these figures with that new community, Black Rock Park, that we are providing the maintenance and stuff along the parkway, are they going to share any of that or are we still going to cover all of that out of our budget?

Mr. deNagy responded this is the first I have heard of it, so I don't know of any cost sharing. That is something we could possibly look at.

We covered all the way over to Black Rock Road, all that maintenance. They are going to be using, it is their only entrance into their community.

Mr. Lyons stated right now all the grass, the sod, everything outside of their developed fences and the road have not been touched. It is just dirt. So I had the same question. Who is going to pay for that? Are they going to pay for it since it is theirs, the front of their property, or are we responsible for that since we go all the way up to our property?

Mr. Blessing stated I am sure they are going to use the park, the facilities, all the other stuff that is in our budget.

Mr. deNagy stated let's assume we have an amenity center and a pool, what you will have is a set of amenity policies. Part of those policies will include a non-resident fee. The amenity center would be strictly for residents only or patrons of the community that pay assessments. If someone outside the community wants to use that facility, we have established a non-resident fee where they would pay on an annual basis whatever that dollar amount is. We are actually required to do that because it is a public entity.

Mr. Blessing stated I am talking about things like constantly we are fixing that fence down at Black Rock Inn, which is going to be to their advantage including ours.

Mr. deNagy responded I would be happy if we have a contact to approach them. I could work with Jason. I would have to look at see what is involved. Don, you had mentioned some entryway landscaping and that sort of thing. If it impacts our property in some way, they should be paying to maintain our property at least in the condition it is currently in. If it is all their property, we don't have any say on what it is they do.

Mr. Blessing stated so not knowing that would then affect this budget.

Mr. deNagy responded if there is additional maintenance, and I don't know that there is additional maintenance, that is even more reason to go ahead and look at possibly increasing the contingency. We could find out before the August meeting, and if it is something that is going to happen, then we could find out what the number is. I am not familiar with the property. What is it called?

Mr. Blessing responded Black Rock Park, and their only entrance is Heron Isles Parkway right now.

Mr. deNagy stated I will check with Cheryl, and we will look at that

A resident, Ms. Donna Hooke, 96372 Commodore Point Drive, asked do we pay for the water to do the irrigation on Heron Isles Parkway?

Mr. deNagy responded yes.

Ms. Hooke stated I noticed three days in a row that they are watering at high noon in the big park. That water is just evaporating, and it is on for a long time.

Mr. deNagy responded I will let Cheryl know about that.

Ms. Blessing stated I would like to comment on the increase. I see that we spent more because of the hurricane with the tops coming off, and it was pretty high. Past experience with associations is I think it is better to raise a little bit than to wait until something happens and then have a special assessment. I would actually agree that a \$27 a year increase would probably be practical to cover whatever might come along.

Mr. Blessing asked about website compliance for \$2,500. Is that some kind of law that the CDD has to have a website. Weren't they looking into maybe repealing that?

Mr. deNagy responded I'm not familiar with the repeal of the website laws. Jason, do you have information on that?

Mr. Walters responded no. Candidly it seems like every year there is a new bill looking for additional requirements, so I would not expect any repeal or loosening of our website requirements. If anything, in the future I think we will see additional requirements for information that has to be posted, timeliness of those documents, and things like that.

Mr. deNagy stated we had some additional printing and binding with our refunding issue. We had a lot of documents at our last board meeting.

On MOTION by Mr. Lyons seconded by Ms. Blessing with all in favor the FY18 budget with an increase of \$20,000 per year to O&M was approved.

FOURTH ORDER OF BUSINESS

**Approval of the Minutes of the February 7,
2017 Meeting**

Mr. deNagy stated a copy of the minutes is in your agenda package.

On MOTION by Ms. Blessing seconded by Mr. Martyn with all in favor the minutes of the February 7, 2017 meeting were approved.

FIFTH ORDER OF BUSINESS

Acceptance of the Draft Fiscal Year 2016 Audit

Mr. deNagy stated this is a clean audit. There are a couple of things I would like to read into the record. At the top of Page 2, it states, "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District as of September 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America." On Page 26 is the report on internal controls. The auditor states in the letter to the board in the last paragraph, "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses." The management comments on Pages 28 and 29 are statutory things that the auditors are required to look at. There were no exceptions noted. This is essentially a clean audit.

On MOTION by Mr. Lyons seconded by Ms. Blessing with all in favor the FY16 audit was accepted.

SIXTH ORDER OF BUSINESS

Other Business

Mr. Martyn stated would you ask Cheryl to look at pool maintenance so we can have an idea of what that yearly cost would be.

Mr. deNagy responded I can work with her on that.

SEVENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

Mr. Walters stated I don't have any action items for the board today. We are coming up on the end of the legislative session. I anticipate having that final update in a week or so. Once that comes out, I will circulate to the board. If you have questions, reach out to me or Dave. If any new statutes come about, we will make sure we have everything in place to be in compliance.

B. Engineer

1. Discussion of Infrastructure Improvements

Mr. deNagy stated I am working with Jim Lucas, who is your District Engineer. You have a handout that I provided you, and you received yesterday electronically. We talked earlier about his preliminary design work for parking improvements and for the construction of a swimming pool. He has in here the cost of the swimming pool of \$250,000, which includes fencing the pool, equipment, and the expansions to the restrooms to meet State code. Whatever number we come up with, if we were to back that out, that would be your net cost. He has a total cost estimated to be about \$416,000. I think we need to have Jim here before we proceed with anything. Hopefully Jim will be here at the August meeting.

Mr. Lyons stated the last page of Mr. Lucas' file has the new playground area with a proposed soccer field. Does this proposal include putting that proposed soccer field in there?

Mr. deNagy responded I don't know. I will have to ask Jim

Mr. Lyons stated he also shows parking, and we did ask for parking to be made available for that. Is that included in this proposal?

Ms. Blessing stated I think the parking was the difference between the \$416,000 and the \$250,000. I don't know about the field.

2. Consideration of Work Authorization for Public Facilities Report Preparation

Mr. deNagy stated the proposal he has is \$3,500.

Mr. Laughlin stated it is required by state law, and it needs to be updated every seven years. It is a report on your public facilities and the demand they have.

Mr. deNagy stated we would like to ask the board to go ahead and get that performed. The fee is a little bit higher than I have seen in other Districts. I think it is in line given that I don't think we have done a public facility report here. I think we should move forward with it.

Mr. Lyons asked are they just going to come and look at it and see if it is line with what the state requirements are?

Mr. Laughlin responded it is information on their location and how much capacity they have and what the demand on that capacity is. They want to keep up to date on how everything is running. You are also supposed to list if you have any proposed construction plans, so this new pool might be included in that.

Mr. deNagy stated the state is looking at the big picture in the county to see how Heron Isles model fits into that big picture. It is our report to the State.

On MOTION by Mr. Lyons seconded by Ms. Blessing with all in favor the Engineer's proposal to prepare the Public Facilities Report in the amount of \$3,500 was approved.

C. Manager

Mr. deNagy stated I have the report to the District about the number of registered voters at Heron Isles. As of April 15, 2017, there were 965 registered voters in the boundaries of the District.

D. Property Manager

1. Report

Mr. deNagy stated Cheryl Graham's report is located in the agenda package. Cheryl did submit two proposals for board consideration.

2. Proposal from Krystal Clean for Pressure Washing

Mr. deNagy stated I will check with Cheryl, but if it is an annual cost, this is something that would be good to use with the \$20,000 extra. Costs like this should be built into the budget if we are going to be doing pressure washing on an annual basis. Unless there are question on the proposal, I would need a motion approving that proposal.

Mr. Lyons asked can we hold off on this and talk to Cheryl first.

Mr. deNagy stated yes, we can table this and bring it back June 1 when we meet.

3. Proposal from Shorebreak Inc. for Restroom Repairs

Mr. deNagy stated proposal is located in the agenda package and is for \$3,035 to clean up sheetrock and also some interior painting as well. I would look for a motion to approve that proposal if you want to proceed with that, or we can table it until June 1. Cheryl can come to the June 1 meeting and maybe we can look for another proposal or two.

Mr. Lyons stated that is what I would like to see, another proposal. Let's table this item.

The rest of the board members agreed to table the item.

EIGHTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

Supervisor Requests

There were no Supervisor requests.

Audience Comments

Ms. Debra Tardiff, 9638 Commodore Point Drive, stated I was wondering if anything was going to be done at the end of Commodore Point.

Mr. deNagy asked still?

Ms. Tardiff responded still. You were supposed to get back to me from the last meeting.

Mr. deNagy responded I have sent emails to Mr. Matovina, and I apologize. I need to clarify what needs to be done.

Ms. Tardiff responded I do too. Every street has a cul-de-sac except for that one.

Mr. deNagy responded I will follow up again. What exactly do you want to see done?

Ms. Tardiff responded a paved cul-de-sac where people can turn around.

Mr. Lyons stated right now the pavement ends with dirt. There is no curb. There is nothing there to terminate it. So some kind of termination is needed. Because emergency vehicles need to have access all the way down there, the cul-de-sac makes sense.

Mr. Isaiah Douglas asked is the maintenance to the bathroom wear and tear or is it from people just neglecting the pathway.

Mr. Lyons responded it is from kids kicking holes in the walls.

Mr. Douglas stated I think we should hold the family accountable if they knew who did it. If you keep on fixing it, they will keep on breaking it.

Mr. Lyons stated we have cameras, but we are not allowed to put cameras in the bathrooms. There was an incident where two girls or two boys went inside the bathrooms, took mirrors, brought them out in front by the water fountains and smashed mirrors on the cement right in front of those cameras. The cameras caught all four of them doing it. We took snapshots of all of them and turned them over to detectives. The detectives searched, they went to all the schools, they gave copies of pictures to police officers that work at the schools, they went through the neighborhood looking for them and never found anybody that matched the descriptions. We tried, but there is no guarantee, even with the cameras, that we can catch the person that is doing it. As far as damage inside the bathroom, we just don't know what time it happened, and we can't physically link it with any particular person or family. Unfortunately, it is a cost we are going to have to deal with.

Ms. Tardiff stated I want to comment about the damage that is being done in the bathroom. If we get this pool with community area, what are they going to do with that? What is that going to cost to repair?

Mr. deNagy stated that is another maintenance item we would put into our budget if we have the amenity center. At Amelia Concourse, they have a fence all the way around the pool, little spray feature for the kids, and a security camera system is there as well. They have the magnetic card entry system. It does track people. That doesn't necessarily keep people from damaging stuff.

Ms. Tardiff stated I have other issues that community members wanted me to bring up. They have issues with people constantly parking their cars in the cul-de-sac as if it is a parking lot. What can be done to negate that?

Mr. deNagy stated I know we have had issues with the width of the streets and people parking on both sides. That has been a problem. There are areas where we have put No Parking signs up. I don't know if that is a possibility for the cul-de-sac.

Mr. Lyons stated Cheryl did address that before. She said that she put signs around the cul-de-sac, and they pulled the signs down. I don't know what the answer is. The signs said if you park there, you are going to get towed. That is required in order to be able to do something about it.

Mr. deNagy stated I am not sure if we have a towing policy here at Heron Isles. There is a process to go through, but that is a possibility. We have other districts where there is a policy on parking in the District. We engage a towing service to come in and tow when someone is parked where they shouldn't be. That would be a policy we would have to enact for the District. Cheryl would probably be the contact person to call the tow company.

Ms. Blessing stated if we have a policy, maybe we could slap a sticker on them and say if you don't it, you are going to be towed. That usually motivates people to stop doing behavior rather than just owing them.

Mr. Laughlin stated at another District they put the signs up and after 24 hours, if the signs are up, they will give you stickers. You basically designate people who have the authority to call.

Mr. deNagy stated at the August meeting we could bring back a policy or procedure for parking and towing.

Ms. Blessing stated I think we should even if we don't do a lot of towing. I think those stickers really work. People do not want to have their car towed.

Mr. deNagy asked Jason, is that something we can put in the August meeting agenda for parking and towing.

Mr. Walters responded we can, and my recollection is we went through this exercise not that long ago here. We considered that towing policy, and I think we decided to go with signage instead. We can try to formulate that policy, but the devil is always in the details of that. What do you do with first violation, do you have stickers, who is responsible for making that call? We can certainly try to formulate something. We will need some guidance as well. If it is a blanket no parking on the street, that is easier. If it is no parking in certain areas, we have to be cognizant of that. There are particular ways you go through engaging a towing company. They are trying to avoid if Supervisor X owns a towing company, we don't want to have that be the towing company because there is some conflicts. We can come up with a game plan for the board to consider some options.

Mr. deNagy stated we will bring that back to the August meeting.

Ms. Tardiff asked about the status of getting a stop sign at the roundabout or Terrace Parkway. There was talk of trying to change the signage about coming out of Parkway. It is roundabout on Heron Isles Parkway. People are parking actually on the roundabout.

Mr. Blessing stated I though the issue was that the county actually controls the road and the signage.

Ms. Blessing stated it is in Cheryl's report under signage.

Mr. deNagy stated I will follow-up with Cheryl to see what is going on with the county on that issue.

Ms. Tardiff stated I get asked all the time, they want to know why can't we have evening meetings so more people could attend. I told them even when we do have meetings in the evening, we still don't get the participation. That is one of the issues they talk about.

Mr. deNagy stated our next meeting is in the evening at 6:00 on August 3. We have a special meeting we set for June 1, but that is at 10:30 a.m. They can come to the June 1 meeting, they are always open to the public.

NINTH ORDER OF BUSINESS

Financial Reports

A. Balance Sheet & Income Statement

These are as of March 31, 2017 and are located in the agenda package.

B. Assessment Receipt Schedule

This item is located in the agenda package.

C. Approval of Check Register

Mr. deNagy stated the total of the check register is \$74,354.02.

On MOTION by Ms. Blessing seconded by Mr. Martyn with all in favor the Check Register in the amount of \$74,354.02 was approved.

TENTH ORDER OF BUSINESS

Next Scheduled Meeting

Mr. deNagy stated our next scheduled meeting will be June 1, 2017, at 10:30 a.m. at the Compass Group Conference Room, 961687 Gateway Blvd., Suite 201M, Amelia Island, FL.

ELEVENTH ORDER OF BUSINESS

Adjournment

On MOTION by Mr. Lyons seconded by Ms. Blessing with all in favor the Meeting was adjourned.



Secretary/Assistant Secretary



Chairman/Vice Chairman