

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, November 3, 2016 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:

Ricky Rowell	Vice Chairman
Don Lyons	Supervisor
Kathleen Blessing	Supervisor
Justin Blessing	Supervisor

Also present were:

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

**FIRST ORDER OF BUSINESS**

**Roll Call**

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

**SECOND ORDER OF BUSINESS**

**Audience Comments**

Ms. Sheila Rodriguez stated there has been a lot of concern about mosquitoes, and the homeowners want to know about getting sprayed.

Mr. deNagy stated that is usually not a function of the District. It would probably be best to reach out to Nassau County regarding mosquito control.

**THIRD ORDER OF BUSINESS**

**Presentation by MBS Capital Markets**

Mr. deNagy stated we have been looking at refunding the bonds that are in place at Heron Isles, and we engaged MBS Capital Markets LLC some time ago to take a look at refunding the

bonds. We have Sete Zare with MBS Capital with us, and you should all have a presentation in front of you that Sete will go through.

Ms. Zare stated I am the underwriter for your refinancing of the 2005 bonds. They were issued in 2005 at a par amount of \$4.9 million. There is outstanding roughly \$3.1 million with a coupon that is 5.75%. They are currently called, and that means at the discretion of the board we can essentially replace high interest rate debt with low interest rate debt, and that is going to create the savings that we are going to pass on to our homeowners. Your current outstanding is at \$3.1 million at a coupon of 5.75%. When we originally issued these bonds, it is in an infancy stage of development, so they are not rated bonds. As the District matures and more homeowners move in, there is an underlying credit established that we can use at S&P for an underlying credit for the District. Looking at the current credit structure of your District, it was originally assessed at 740 accessible units. About 175 residents have actually prepaid, so there is about 565 accessible units. Four hundred of those units are actually vertically constructed, so there are homes on those lots. We have another 165 that are vacant. In order to secure the highest possible investment grade rating from S&P, we are going to create a senior subordinated structure. We take the senior piece, which is just the vertically constructed units and then we take a subordinate piece, which are the vacant units. The vacant units were priced to a non-rated scale. With this 480 units, what we are going to do is go to S&P, and we are going to say look at the diversification, look at the value to lien, and look at the collection history. They are going to assess the District and provide us with an underlying rating for that senior piece. Because it is one assessment area, it is going to be a blended rate. Everybody benefits from the rating that the senior structure obtains from S&P. That, in turn, will provide us with the savings. Let's look at that that looks like for a resident. Please look at Page 8. A homeowner is paying about \$473 on an annual basis. With the proposed refunding, they will pay \$430. They will pay \$42 less annually for their assessments. That is 8.94% savings. A key metric that I like to point out is net present value savings. In our industry when we look at that, we look at 3% as a benchmark of a green light to go. In this refunding analysis, you are actually changing 8.9% for 4%, which is above the benchmark, so it is a green light for us. It makes economic sense. There are economic efficiencies to move forward with the refunding. The par amount that is currently outstanding at \$3.1 million, with the refunding it is going to be \$3.3 million. So there is going to be an increase in par amount, which is going to trigger a Chapter 170 process. It is like a home mortgage.

When you go obtain a home mortgage, the cost to borrow might push your par amount up, but your annual debt service that you are paying on an annual basis and your mortgage that you are paying on a monthly basis is actually lowered. So the par amount will increase because of the cost of borrowing. Overall, your annual assessment decreases by 8.94%.

Mr. deNagy stated the 170 notice is just a requirement that we send out a written notice to all the homeowners to let them know that the par amount is going to be going up, but in that same notice we will be showing that the debt assessments will be coming down \$42.

Ms. Zare stated keep in mind that the par amount increasing only impacts somebody who wants to pay down their debt. It is the annual savings you are looking at, the \$42 on an annual basis. The par amount increasing only impacts you if you have paid down that debt completely.

Mr. Blessing asked are these the same bonds that we have to consider if we ever want to put in a pool?

Mr. deNagy responded I will defer to Sete, but I think we talked about maybe \$2 million for a pool. I am not sure how that would work with the refunding.

Ms. Zare stated there are two options. You can take your debt service savings and pass them to the resident or you can maintain level debt service and obtain that savings up front. So essentially it is creating a project fund that you can use toward capital infrastructure. How much that generates I would have to run the numbers for you to see how much we could apply towards the capital improvement. In general terms it should be about \$200,000.

Mr. deNagy stated I think for purposes of the Amenity Center, it would probably be best to take advantage of the low interest rates now, lock in, and get the 9% reduction, and then we can talk about issuing new bonds for the Amenity Center.

Ms. Zare stated you could absolutely do that. You could issue a series of debt to fund that capital improvement and take advantage of the lower annual debt service for the 2006 coupons refinancing your 2005 bonds.

Mr. Mike Junkas, an audience member, stated having to put up with whatever the interest rate is at that time?

Ms. Zare responded there is always the risk in the interest rate environment. We have 8.94% today, if there is any movement in the market by the time we price, that 8.94% could be more or less, it just depends on where we are in the market. Starting the process now we will just hedge against that. There is a process we have to follow because we are increasing over par.

You have to go through the assessment process. That alone will take 30 days, but we also to keep a working team together, and there is going to be an assessment methodology put together, a notice period, and then from there starting to move on. We are looking at least 60 days before we can actually move on these bonds.

Mr. deNagy stated keep in mind that all the costs of refunding are paid through the bond much like you would when you are refunding a mortgage, paying closing costs and roll that into the mortgage. In this case, that is a lot of why you are seeing the par amount go up.

Ms. Zare stated the working team does not get compensated until this issuance is closed. It is only coming out of bond proceeds. It is never coming out of the District's own pocket. If we go five years and this hasn't closed, nobody is going to get compensated until the day that we are closed.

Mr. Junkas asked is this based on the current homeowners or on a projected idea of how many homes are there is going to be?

Ms. Zare responded the senior subordinate structure that is structured right now, there is 400 for construction units. I have split that out to be 70% senior, so I am going to go to S&P to get an underlying rating on that 70%. I am going to be working with the developers. I know there are two parcels that are working to be developed and eventually sold to builders. I will see where they are in that process and see how much that we can move from subordinate piece to the senior piece, and you will generate a little more savings.

Mr. Junkas stated so it only works on vertically built properties?

Ms. Zare responded the underlying rating can only be on the vertically – the S&P wants to see diversification. They want to see value to lien.

Mr. Junkas asked are they including foreclosed homes and things like that as well?

Ms. Zare responded they don't see so much on the foreclosed homes because they only see on-the-roll assessments. This bondholder sees that they are getting paid, and what we see is the collection history based off of that. I can tell you the collection history for this District is at 100% or greater, so this is a strong credit in that sense alone. Right now, my assessment is based off the assessment roll and looking up each folio on the county website, and the county lacks 60 days. As soon as I get to work with Heron Isles, which is one of the developers, and then Dream Finders and all of the builders, I can actually deep dive and understand. As an example, while the county might say Dream Finders owns 13 homes that are vacant, Dream Finders might say

actually no we have already developed those, and we are in the process of closing that with the homeowner. I can take that direct information from the builder as well and use that and apply that towards our analysis to S&P. They do take that into account.

Mr. Lyons stated if we were to refinance the current bonds and later on purchase new bonds in order to build a community pool, is there a recommended time gap for that?

Ms. Zare responded it is at the board's discretion. If the board wants to move forward with financing another capital improvement project, it is at your discretion the timing of it. The working team is here for you as soon as you say go, we will make sure that happens and will start moving forward with it.

Mr. deNagy stated one of the first things we would have to do if that were the case is the board would have to authorize the District Engineer to come up with an idea of what the Amenity Center is going to look like and cost, and we would have to do some of that due diligence so we would have a ballpark reach of how many dollars we want.

Mr. Rowell asked can we go ahead and do that?

Mr. deNagy responded we can. That is at the discretion of the board.

Mr. Lyons stated we would kind of like to keep this moving.

Mr. Rowell stated we have been talking about it for a long time.

Ms. Zare stated we can not only do a refinancing but also capital improvement and new money piece, we can do it concurrently. What we would have to do is engage an engineer, and we will put the team together and the costs attached to that. While we are moving forward with the refunding, we can see how much it generates in terms of project funds that can be applied. We can structure the bonds the way we need to make sure you are happy.

Mr. Lyons stated can we query the current residents and ask them what they want?

Mr. deNagy responded it is entirely up to the board. You represent the community. Do you want to go ahead and have staff reach out to the District Engineer to find out what he needs to do?

Mr. Lyons responded yes.

Mr. Junkas asked when it comes to the pool, has anyone thought about the insurance costs and maintenance costs that will go with that?

Mr. Lyons responded that would all be in the assessment.

Mr. Junkas stated we are not a huge community with high-end houses.

Mr. Lyons stated we would draw up plans that would include all that, and then we would go to the homeowners and ask them if they are willing to go that route.

Mr. Rowell stated this is something we have been talking about for at least two years, so we are definitely going to have the homeowners involved, but we have to gather the information to present to everybody before we can say we are going to do anything. We have been waiting on bond stuff, and now is a good point where we need to start moving forward to either gather the information and say yes we are going to do it or that is not the route we want to go, it is going to cost the homeowners too much.

Mr. Lyons stated and that may be the case, but we don't know until we go down that route. I would prefer this be done by mail where everybody has a vote, everybody can mail it back, and make sure that we have as many as we can participating in the vote. It is not for us, it is for the residents. If the residents don't want it, then we will pull it.

Ms. Donna Hooke, an audience member, stated I am wondering if we can find out if the majority of the people want a pool or if they don't want a pool. Then we don't have to do the expense of having an Engineer. Maybe we can do a mailing to see how many are interested. You may get 75% that isn't or 75% that is. Maybe we should do that.

Mr. Lyons stated I have thought about that. I have kicked that around, and my response to that is if it was me, and that question was posed, the first thing I would say is how much are we talking about? If I didn't have any numbers, I wouldn't be able to make a decision. Some people may just not a pool, but other people may say "well if that is all it is going to cost us, yea, go for it." I think it would better if we spent this money and have the Engineer come up with a projection, and then we go out there and ask.

On MOTION by Mr. Lyons seconded by Mr. Rowell with all in favor for the District Engineer to get proposals for pool/amenity (similar to Amelia Concourse) was approved.

Ms. Zare stated let me know what your intentions are, and I will get the team moving in that direction. My understanding is let's wait and see if we are going to have a new money piece to this refunding as well based off the Engineer's report and from the residents' interest as well. I want to make sure I understand what my next steps are from the board.

Mr. deNagy responded if I understand correctly, I think we want to move forward with the refunding and do the pool as a separate item.

Ms. Zare stated we will lock in better rates that way.

Mr. deNagy stated we have to get the proposal from the Engineer and do a survey with the residents.

Mr. deNagy asked Mr. Walters if he had any comments.

Mr. Walters responded this is the beginning of the process, so there will be several steps in the interim. The board is not committed to anything at this point, but we will come back with information and will have a final decision to pull the trigger at a later date. I think it is a good step forward to get this process moving.

Mr. deNagy mentioned the 170 process. Since we don't meet until February 2, in order to get this process going, I think we would like to schedule a meeting between now and February 2 on December 8<sup>th</sup>. We need to go through the 170 process and get the ball rolling on the refunding.

Mr. Walters stated I think December 8<sup>th</sup> may be a little aggressive. I think if we pushed it back one week to the 15<sup>th</sup>, that would help to make sure we not tripping ourselves up here.

On MOTION by Mr. Rowell seconded by Ms. Blessing with all in favor for the next meeting date to be December 15, 2016 at 10:30 a.m. regarding bond refinancing was approved.

**FOURTH ORDER OF BUSINESS**

**Approval of the Minutes of the August 4, 2016 Meeting**

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

On MOTION by Mr. Rowell seconded by Mr. Blessing with all in favor the minutes of the August 4, 2016 meeting were approved.

**FIFTH ORDER OF BUSINESS**

**Other Business**

There being none, the next item followed.

**SIXTH ORDER OF BUSINESS**

**Staff Reports**

**A. Attorney**

Mr. Walters stated I don't have any additional items for the board tonight.

**B. Engineer**

Mr. deNagy stated I do not have anything for the Engineer. We will reach out to Jim Lucas, the District Engineer and have that information back whenever we next meet.

**C. Manager**

Mr. deNagy stated I don't have anything.

**D. Property Manager**

Ms. Graham stated some of this is in the agenda package. It is an update on the community maintenance that has taken place. Martex Services is the landscape contractor, and they have been approved to install mulch in the landscape beds. I am meeting with Josh Stafford on a regular basis to make sure everything is being taken care of. Lake Doctors has been doing a good job of aquatic maintenance on the ponds. I have been getting better reports from them, and everything seems to be getting under control there. Janitorial services have been fine. Southern Recreation was approved for the installation of swings and benches. The benches and the actual swing structure are in place. They don't put the actual seats on it yet because it is concrete, and they need to make sure it sets up. Today they are installing the mulch and the borders, and tomorrow the straps go on and everything is ready for play. The children will have more amenities to play on out at the new park. You will have two benches at the new park, and they are being placed where there is still an open area for throwing balls without interfering with swings or the benches. With Hurricane Matthew, I am sure everyone has noticed we have had a lot of fencing areas that have been damaged. Panels have fallen out and need to be replaced. The original fence company that we had has withdrawn his services, but I have a new contractor I met with on Tuesday. We have driven through the community, and he will have a proposal to me today and repairing and resetting all the panels. Some foam columns have been blown off. We were able to get some repositioned already, but there are about seven that are missing. Gene Pruitt has been contacted, and they are providing a quote to replace those caps. Street Parking – at the last meeting and after review of the board on placement, we have No Parking Between Signs signage on Coral Reef at the corner of Starfish. It was directed and determined at the meeting to place the No Parking Between Signs actually on the side where the homes are versus

the opposing side that is open along the right of way and where vehicles are actually parking. What that does is cars have to come out around and go into oncoming traffic. So the school bus has a problem with that. For safety purposes we have had a few near misses with vehicles pulling out head-on into other cars because they can't see them with the line of vehicles that have been parking there. My request to the board is to have the sign placed on the east side of Coral Reef instead of the west side in front of the homes.

Mr. Rowell asked what was the thought for the original placement?

Ms. Graham responded the original placement was directly on the opposite side in the front yards of the homes on Coral Reef at that same location. They couldn't park at the curb in front of the homes, they were to park on the opposite side of the street.

On MOTION by Mr. Rowell seconded by Mr. Blessing with all in favor to move a sign from the West side of Coral Reef to the East side of Coral Reef was approved.

Ms. Graham continued her report. We have some "Caution Children Playing" signs that are being installed. We have purchased five signs, and because Heron Isles is a large community, I am requesting permission to get five more signs. The cost would be \$212.50 for five more signs.

Mr. deNagy stated we don't need board action on that.

Ms. Graham stated a new item that has come about is owners are asking permission to rent and have their birthday parties and different events at the playground or park area. To avoid conflicts, I think it is a good idea, if that is permissible by the board, to have a reservation process. It is hard to monitor without having somebody onsite, but I can at least take the information. It will still be first come first serve, but someone submits an actual reservation form in an appropriate time, I can put it on the calendar and post it on message board so if anyone is interested in having a party, they can see what parties are already scheduled. Another person can't automatically come there and expect to have their party because someone has taken the time to make that reservation. In your packets are the rules that make the owners responsible for cleaning up after their party, no parking on the grass, things like that. They must complete the form, the person must be 18 years of age or above. If they are underage, there must be an adult present. It is for members of Heron Isles and their guests only. No one under 21 years of age is

allowed to consume alcoholic beverages on the premises. Glass bottles are not permitted, and putting it in writing is better for the CDD. Also in your packet is the reservation form. I have also included a small version of the calendar.

Mr. deNagy stated we can get a motion to approve the Park and Playground Reservation Policy that Cheryl outlined in substantial form subject to counsel review.

Ms. Blessing stated I would like to put on the form "I have read and agreed to abide by the Park and Playground Reservation rules." You can have a list of rules, and they sign this form.

Mr. Walters stated I have some language I can send you for that.

On MOTION by Mr. Lyons seconded by Mr. Rowell with all in favor the Park and Playground Reservation Policy was approved in substantial form subject to counsel review.

Ms. Graham continued with her report. At the annual membership meeting held on October 17, the owners again asked in regards to amenities such as a swimming pool and considering soccer goals or basketball court. Another item is a fence around the playground area to help protect the children, additional parking spaces, and dog stations with waste bags.

Mr. Rowell asked do we know how much dog stations cost and how many we would need?

Ms. Graham stated I meant to get that pricing because I do have catalogs that have that information.

Mr. Lyons stated they are \$300 to \$400. They are not very expensive.

Mr. Rowell asked how many would we need?

Ms. Graham responded probably three would be good.

On MOTION by Mr. Rowell seconded by Mr. Blessing with all in favor to install dog stations NTE \$1,500 was approved.

Ms. Graham that is all I have.

**SEVENTH ORDER OF BUSINESS**

**Supervisor's Requests and Audience Comments**

**Supervisor Requests**

There were no Supervisor requests.

**Audience Comments**

Ms. Debra Tardiff, 96358 Commodore Point Drive. I am the very last house. This is a dead end road, and they are always turning around down there. Is there any way to get some type of a turn-around that is not dirt? Every other street has a nice cul-de-sac, paved turn-around. We don't have that. At the end of the road, the grass is growing up. I talked to Cheryl about this. It has gone to seed in front of my driveway, so I have grass at the end of my driveway. I would like to get that fixed or taken care of.

Mr. deNagy stated send me an email, and I will send it to Greg who is the developer and ask him for his thoughts on that, and I will get back with you.

An audience member had a question about street lighting in her area. Ms. Graham will follow up with FPL and the developers.

Ms. Donna Hooke stated there is also a light at the end of Yellowtail that has never been on. It is a streetlight that has never been on. I called FPL on it, and they said we will have it checked out but they have not. Also the sign is still down and lying on the side of the road.

Ms. Graham stated it is going up today.

An audience member asked do they spray for bugs and stuff at the playground? The reason I ask is because every time I take him there, within two minutes he is covered in fire ant bites. There have been times I can see them crawling around the mulch area. I can't bring him to that park anymore.

Mr. deNagy stated we can check with Martex.

An audience member asked do they plan to do any mosquito fogging or anything like that in our community.

Ms. Graham I will check with the county on that. It is not the CDD but the county that will handle that.

The audience member stated his concern about additional parking in that it might attract others from outside the area to use the community play areas and park.

**EIGHTH ORDER OF BUSINESS**

**Financial Reports**

**A. Approval of Check Register**

Mr. deNagy stated the total of the check register is \$60,126.01.

On MOTION by Ms. Blessing seconded by Mr. Rowell with all in favor the Check Register was approved.

**B. Balance Sheet & Income Statement**

This is as of September 30, 2016. These are unaudited and don't require board approval.

**C. Assessment Receipt Schedule**

This item is located in the agenda package for your reference

**NINTH ORDER OF BUSINESS**

**Next Scheduled Meeting December 15, 2016  
at the Compass Group Conference Room,  
95187 Gateway Blvd., Suite 201M, Amelia  
Island, FL**

Mr. deNagy stated are next meeting will be December 15, 2016, at 10:30 a.m., and we will be back at the Compass Group offices.

**TENTH ORDER OF BUSINESS**

**Adjournment**

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

  
Secretary/Assistant Secretary

  
Chairman/Vice Chairman