

**MINUTES OF MEETING  
HARMONY  
COMMUNITY DEVELOPMENT DISTRICT**

A special meeting of the Board of Supervisors of the Harmony Community Development District was held Thursday, September 14, 2017 at 6:00 p.m. at the Harmony Golf Preserve Clubhouse, located at 7251 Five Oaks Drive, Harmony, Florida.

Present and constituting a quorum were:

|                  |                     |
|------------------|---------------------|
| Steve Berube     | Chairman            |
| Ray Walls        | Vice Chairman       |
| David Farnsworth | Assistant Secretary |
| Kerul Kassel     | Assistant Secretary |
| Bill Bokunic     | Assistant Secretary |

Also present were:

|                                     |                        |
|-------------------------------------|------------------------|
| Chuck Walter                        | District Manager       |
| Gary Moyer                          | Moyer Management Group |
| Timothy Qualls                      | District Counsel       |
| Kayla Scarpone                      | Young & Qualls, P.A.   |
| Steve Boyd                          | District Engineer      |
| Gerhard van der Snel                | Field Manager          |
| David Evans                         | Baker Hostetler, LLP   |
| Robert Glantz                       | Birchwood Acres, LLP   |
| Alan Baldwin                        | Severn Trent Services  |
| Elizabeth Moore                     | Severn Trent Services  |
| Residents and Members of the Public |                        |

**FIRST ORDER OF BUSINESS**

**Roll Call**

Supv. Berube called the meeting to order. Supervisors and staff introduced themselves, and a quorum was established.

**SECOND ORDER OF BUSINESS**

**Audience Comments**

Supv. Berube stated if you did not know it, you are attending a special meeting of the Harmony CDD to discuss what has become known as a True Up Agreement which deals with the allocation of debt. Everyone knows Harmony was built using public bonds, so there is a certain

amount of outstanding debt on the lands. Every time land gets platted, sold and moved around, you must ensure the debt allocated to each acre remains under a particular plateau, and there is a True Up Agreement in place between the CDD and the development company to ensure this stays within the guidelines. With the coming transfer of Harmony from one developer to the other, there was some questions raised as to the accuracy of the debt assignments per acre, and it has been about a seven-week process of going all through the hundreds of thousands of pages of documents, agreements and legalese, to bring us to this point that we are going to discuss tonight and I presume approve as valid that our debt assignments per acre are accurate. If you are coming tonight expecting to meet and greet the HOA candidates, you are going to have to wait a little while and sit through what is going to take place next.

A Resident stated I am assuming we can bring up topics outside of this land valuation.

Supv. Berube stated no sir, we would rather you hold any questions or concerns to the agenda items, unless we happen to have some time at the end, but we have an agenda to adhere to unless we need to fill more time.

Supv. Kassel stated you are welcome to speak with any of us after the meeting if we do not have time.

Supv. Walls stated we will have another regular meeting later this month at which time you can bring up any topics.

A Resident asked how did our land assessments get *out of whack*?

Supv. Berube responded they are not *out of whack*. This has nothing to do with your land valuations and will not affect it at all. What this will affect is certain payments to the bondholders, the holders of the debt within Harmony, when money is transferred from the development company or companies even to the CDD, that money will go to retire or pay down existing bondholder debt.

Mr. Qualls stated he is absolutely right. What tonight is focused on is lands which are still raw, unplatted acres and there is a debt per acre threshold which cannot be exceeded because you do not want that debt to increase on the last acre in the community. This is just to ensure the debt per acre threshold is not exceeded on the unplatted lands within the District.

Mr. Evans asked what is the debt pre-construction?

Mr. Qualls responded we are going to get into all of that as \$47,000 and change.

Supv. Berube stated we are trying to make sure it remains at that threshold to avoid any adverse effects in the future.

### **THIRD ORDER OF BUSINESS**

#### **Determination of True Up Payment Requirement Pursuant to the Provisions of the Assessment Methodology Report**

Supv. Berube stated we are at the point in the meeting where we are going to discuss the true up payment requirement pursuant to the provisions of the Assessment Methodology Report and I have a good idea as to what is going on, but I am going to give it to our lead Counsel at this point to do the lead-in.

Mr. Qualls stated we sent you all a draft memorandum as well as a subsequent final memorandum, with the question, is there currently a density reduction payment owed by the developer on the unplatted lands within the District under the true up mechanism described in the Assessment Methodology Reports and then a contractual agreement executed by the developer and the District? In other words, has the debt percentage on the subject to the 2015 Bonds on the unplatted acres, and the \$47,000 threshold been exceeded? If so, that would require and trigger a true up payment, and the answer to that question is yes. This is not unusual, but it happens, and that is why you have agreed with the developer that in this true up process to make sure that as things evolve, if the debt ever exceeds the \$47,000 plus threshold on the unplatted lands, that you go through this true up analysis to determine if that threshold has been exceeded, and by what amount, and what the contract requires that you and the developer have agreed to is that once there is a determination that the threshold has been exceeded, the developer needs to pay those funds. According to the plain contract we discussed, a current density reduction payment is due, and at this point I would turn it over to Severn Trent. Severn Trent handles the assessment methodology portion, and they do the true up calculation. At this point, I would turn it over to Ms. Moore to discuss those numbers.

Ms. Moore stated we are going to discuss this under the guidance of our District Attorney, and we determined there are only two parcels which remain unplatted and fall under the threshold of the \$47,000, which is the Town Center parcel. The total amount of acres associated with that parcel is 17.6 acres and the amount of the true up associated with this parcel is going to be \$220,606.50. That is under the 2015 Bond Series. We also have done a true up analysis based on the 2014 Bond Series. The only two parcels which are remaining under that bond series are Parcel

M and Parcel A-2. It was determined that based under the analysis there which also has the \$47,000 debt ceiling, the total amount of the payment due would be \$201,351.55.

Mr. Qualls stated I would recommend covering the 2015 portion first because the distinction is, the 2015 payment has been submitted, and the \$220,000 that was referenced is due currently, under that agreement. On the 2014 Bonds, our understanding is that the plat has not been submitted, so that \$201,000 is good on the public record to make clear that that would be the amount if Plat M was approved as submitted to the County, but the County has not approved that plat yet, so it is a little premature, but in the spirit of full disclosure, we wanted to cover the lands subject to the 2014 Bonds as well, if that makes sense. My recommendation would be that the Board consider dealing with the 2015 lands and that true up agreement as it was discussed, the \$220,000 figure, and then we can cover any questions, comments or concerns as to the 2014 Bond Series. Does that make sense to everyone? If it does not, please ask any questions.

Supv. Kassel asked you are not asking us to defer any decision-making on the 2014 Series? Are you asking us to first discuss the 2015 Series separately from the 2014 Series?

Mr. Qualls responded what triggers the true up payment discussion according to that contract that you have is when lands are platted, and what platted means is when the developer submits a plat to Osceola County. That plat is approved and recorded by the County, after which the plat is submitted to the District. For the 2015 Series, a plat has been triggered, so it is appropriate for this Board, in our opinion, to under the terms of that agreement, probably consider a motion that threshold was exceeded and therefore, a payment is due currently on the amount that Ms. Moore has given you. The distinction is on the 2014 Bond Series, that plat, though it has been given to the county, has not been approved by the County and submitted to the Board. Until that happens, you will not know the exact calculation because things change, so you know now from Ms. Moore that you have the amount if that plat was approved now, but it has not been and that number can fluctuate. If it was approved now, the figure would be approximately \$201,000. Does that make sense?

Supv. Kassel asked what happened to the \$351,000?

Mr. Qualls responded I would turn it over to Severn Trent to discuss that and we also have the District Engineer who has helped a lot as well.

Ms. Moore stated the number which was presented in the memorandum, was brought to light by District Counsel and the District Engineer, that there were certain parcels considered

platted that we originally did not take into consideration, as we were treating them as unplatted, which essentially was the Town Center I and II, as well as the commercial parcels. For us, essentially, we were treating them as vacant land, but it has been brought to light through plat maps provided by the District Engineer these lands are platted. They have plat books and page numbers and as a result, had to be removed from the calculation.

Supv. Kassel asked does that mean we have lost our opportunity to true up on those parcels now because they are now platted?

Supv. Berube responded probably not because they are already being assessed. The only reason they came into the mix before was because these, and part of the issue with all of this from day one, has been what is platted and not platted, and that is what makes the difference. By having a land termed as unplatted puts it in one category and if it is termed as platted it goes into a different category. Sorting through all of that has been part of the difficulty in this. Am I correct with those statements?

Ms. Moore responded yes.

Supv. Berube stated as you sort through the plat maps and notice things have moved and if you remember, last year we got into the blending and some debt got assigned over to A-2 and M, which was a piece of that and all of that is on the bigger scale of TC-1, TC-3 or TC-4, and you have all of these different plats and re-plats, but when you get all through it, that is what takes all of the time in determining what goes where and that is why the number has come down to make sure we are actually on the correct plat book pages. This has changed many times, but I think it is somewhat accurate now having followed this all the way along. There is nothing else I can see and I think all these experts will look at it and say we know now what is platted and what is unplatted with a fairly high level of certainty.

Supv. Farnsworth asked the platted and unplatted will be accurately tracked from this point forward, correct?

Mr. Qualls responded as they get recorded, yes sir.

Supv. Bokunic stated honestly, that is the problem we have had. They were not accurately tracked.

Supv. Walls stated the recording process is accurate.

Mr. Qualls stated I think we need to speak about that at a future meeting.

Supv. Kassel asked do I understand correctly that the platted lands which had not been assessed for true up, prior to this, are now in the platted lands calculation and so any true up that would have occurred on them got transferred?

Mr. Qualls responded no. The most recent plats which were approved have been re-classified. Parcel O was previously platted as a land plat and then it was recently platted as individual lots, 67 lots. Parcel I was a land plat and it was recently re-platted to 172 lots. The Parcel H-2 land plat was recently platted into 40 lots, Parcel F, 66 lots from the land plat, and similarly, Parcel H-1. All of these were previously platted. Parcel J, K and L are land plats, so all of these plats exist. When, for example, Parcel H-2 was randomly platted it would have not affected any of the parcels which I just mentioned because they were previously platted. All it would have done was taken a snapshot of the unplatted lands which have not changed and then the bondholders would have received a true up payment at that time, but does not affect the District, any of the members of the District, any of the landholders within, zero effect. This money does not go to the District. This money goes to reduce the debt.

Supv. Kassel stated we do not want to be *left holding the bag* if there is more debt than money. That is why we are looking to do the true up.

Supv. Berube asked did we not have a request for a hold harmless opinion for all parties involved?

Mr. Qualls responded we asked that same line of questions. There is a contractor with Severn Trent, named Ms. Alice Carlson, who was gracious enough on her vacation to send us a signed declaration, and she says, "It is my opinion that applying the true up mechanism using the \$47,000/\$46,000 threshold figure and requiring the payment now on the remaining unplatted lands, those that have no plats whatsoever recording on them, subject to the 2015 Bond Series, would have no adverse future consequences for the platted that have not yet been finally subdivided into individual lots." This is because as those lands are replatted and subdivided into individual lots, if it is determined that the amount of debt allocated to those lands is more than the total of the maximum assessment amount permitted per unit, a mechanism called, a product modification, takes place whereby the developer must pay down the debt allocated on the land which exceeds the per unit maximum.

Supv. Kassel stated it is like a true up except it is called something different.

Mr. Qualls stated that is correct. What is before you this evening, are the true up mechanisms which are triggered on the unplatted lands.

Supv. Kassel stated we do have an option with this product.

Mr. Qualls stated not an option, it is something that my understanding is that it has been done consistently and will continue to be done, so as she said, there will be no adverse effect, basically.

Ms. Moore stated in those parcels, it is like a mini true up, but not actually called that. That takes care of any outstanding debt which may remain within that chunk of land which is now platted and does not go into this calculation, but then will be addressed when there are finally units on that bill and be able to pay down the debt if it exceeds within that land itself. Now we are addressing what is unplatted.

Supv. Kassel asked have we done this product modification with every plat?

Ms. Moore responded yes, and typically for the most part, the debt service for the par balance associated with each parcel, we basically tailor the annual debt service by parcel and by product type to ensure the debt service never exceeds the ceiling. We constantly have to make sure that for Mr. Weir's report, the annual debt service per unit was set at \$2,000. We always have to make sure based off the development that is provided to us, to run the numbers and make sure every single product type does not exceed that ceiling. We are constantly monitoring that and we had that with A-2 and M, where we received the final plat and with A-2 there were not enough units to support the debt service and as a result, is what triggered that true up.

Mr. Qualls stated a different way to put it is if you make the determination that according to Ms. Moore's numbers that the developer owes this true up amount, there will be no acres in unplatted areas which exceed the \$47,000/\$46,000 threshold. Am I correct?

Ms. Moore responded that is correct.

Mr. Qualls asked may I ask the District Engineer, as I saw you were shaking your head, that you agree with Ms. Moore the lands for the platted versus unplatted determination she has made is accurate to the best of your knowledge?

Mr. Boyd responded I reviewed the numbers and acres which were pulled together here and we agree what is platted versus unplatted in the acres.

Supv. Kassel asked does the developer have any dispute with the number?

Mr. Qualls responded no, we have no dispute and I just want to be very specific on what she said. After the payment which will be made forthcoming of approximately \$220,000, it will remain in two parcels which exceeded, but they will not be triggered.

Ms. Moore stated they are not replatted in the 2014 Series and those will be triggered when the plat for Parcel M is submitted. As everyone recalls, Parcel M includes lands with the 2014 and 2015 Series. The 2015 component will already have been reduced. The 2014 component, once that is prepared, will not be reduced, but A-2 will be reduced because Parcel M which is part of the 2014 Series, will have then used the criteria we described, which is the per lot criteria.

Supv. Farnsworth asked how are the two segments of M distinguished here?

Mr. Qualls responded a portion of Parcel M is in both the 2014 and 2015, and I previously presented that map to this Board on which component was on each side.

Supv. Farnsworth asked does anyone remember that map?

Supv. Kassel responded no.

Supv. Berube stated that took place at the time we were discussing the blending proposal and finality of it, if I remember correctly or somewhere thereafter.

Mr. Boyd stated no, it is when I presented the plan and you wanted me to put a park in Parcel M. Does that ring a bell?

Supv. Berube responded no, I recall a park in Parcel O.

Supv. Kassel stated no, for M because they wanted a dog park and we said no.

Supv. Berube stated M right over here by the horse stable.

Supv. Kassel stated the red is 2014 and the blue is 2015.

Mr. Qualls stated yes.

Mr. Boyd stated I was only speaking to 2015. That is the way I bifurcated it in my mind.

Supv. Kassel stated those lands have not been platted in M, so the 2015 why are they not part of the true up?

Mr. Boyd responded let me assist. You have Parcel M which Severn Trent has been keeping on the books as Parcel M for the past several years, and then you have a component of TC, which we are going to add to create a subdivision called Parcel M. So, Parcel M has been held for a long time and is approximately 7.9 acres.

Ms. Moore stated it is 7.78.



Mr. Boyd stated adding 10 acres from the TC land. As you recall, I came in front of this Board and discussed when we did the PD Amendment and when we prepared the PD Amendment the line demarcating where the TC zoning started was shifted to the east. It allowed us to have approximately 10 more acres of detached product because the TC zoning is commercial or attached residential. It allowed us on a map to make our subdivision with detached housing larger, but there is also another map which is in the 2014 and 2015 Bond. We are now creating a parcel which are in two different bond series, but it has similar zoning, to having a neighbor who goes to a different school district because the school line runs right between the two homes. They will be in two different bond series, but they will be within the Harmony District.

Supv. Kassel asked if we are truing up the 2015, and M has a portion of the 2015, but is not platted, why is it not included in the 2015 true up?

Mr. Boyd responded anything in 2015 is going to be subject to this payment.

Supv. Berube stated it is also going to be carried into the 2014 Series.

Ms. Moore stated the Town Center parcel is part of Parcel M, and it is confusing because Parcel M, the TC Parcel, has the same parcel identification number. The answer is yes, that is the parcel which is being trued up at the present point of time for the 2015 Series.

Supv. Kassel stated before you said Parcel M was not included.

Supv. Walls stated regarding the 2014 Bonds, based on the proposed plat which has been submitted to the county, the debt threshold will be exceeded if that is approved. Is the debt threshold currently exceeded for 2014?

Ms. Moore responded it is going to exceed and be A-2, as there are not enough units being built on A-2. There are only going to be 28 and it causes a debt per acre at \$92,807.

Supv. Walls stated that is the case if approved.

Ms. Moore stated that is correct. Currently, everything is fine.

Supv. Walls stated I just wanted to clarify this is based on the proposed.

Mr. Evans stated it is currently exceeded, but the trigger to a true up is once a plat is approved, the piece that you are platting is not subject to the true up.

Supv. Kassel stated if the plat is not approved, it is considered unplatted. Is that not the case? If that is the case, why is it not included in the true up?

Supv. Bokunic responded I really think it would be helpful to focus on 2015.

Mr. Qualls stated I will come back to 2014.

Supv. Farnsworth stated before you drop completely off that, let me ask a question. Way into the future, where you have got this M that was in the 2015 and 2014 debt, the Board listed the assessments for the year. Normally, the neighborhoods have a 2015 and 2014 column. When we go to the cross of M, part of M is going to show up in 2014 and part is going to show up in 2015. Is this correct? Up until now, I am uncertain of these modifications not exist. Normal neighborhoods either show up as 2014 or 2015.

Supv. Berube stated I think it would stay the way it is now because we are not changing the debt. The debt already exists.

Supv. Farnsworth stated I realize that, but I am just trying to determine what the distribution chart or the assessment chart is going to look like for Neighborhood M. You are going to have both a 2014 and a 2015. It may be difficult looking at it to distinguish. From their perspective, am I in 2014 or 2015?

Supv. Berube responded the debt has already been assigned. We are not changing those numbers.

Supv. Farnsworth asked if you go to look it up, where does the debt from a particular homeowner come from?

Supv. Berube responded yes, if they look it up, but the numbers on the chart as they are assigned and for the audience, which we are discussing tonight do not affect you in any way. This is money coming from the developers and going directly to the bondholders as an early pay-down or retirement of the bond debt. This will not affect your dues. They will not increase or decrease. It is not going to change next month or next year. Last year has nothing to do with operations. This is just an exercise in important semantics and getting to the bottom line of something. Are there any other questions from the Board regarding the true up methodology discussion we are trying to finalize? Is everyone in agreement with what has been discussed so far?

Supv. Walls responded I just want to ask staff one more time. You are 100% confident these numbers are good, the acreage is good and the number of acres which are exceeding the debt currently are good. I want to have confidence from staff.

Mr. Qualls stated I looked at the numbers Ms. Moore has and I agree with Severn Trent.

Supv. Walls stated I am depending on you guys because these numbers just got here 10 minutes ago.

Supv. Farnsworth stated they were not numbers we had ever seen before.

Supv. Berube stated they have been getting hashed thoroughly for six or seven weeks.  
There being no further discussion,

On MOTION by Supv. Berube, seconded by Supv. Kassel with all in favor, the determination the Board finds as to the land subject to the Series 2015 Bonds for the Harmony CDD, and the debt threshold of \$47,046 has been exceeded and, therefore, a density reduction payment is owed by the developer on the unplatted lands within the District, under the true up mechanism described in the methodology report and in a contractual agreement executed by the developer and the District dated April 28, 2015. The Board also determines the density reduction payment is \$220,606.50, and is due and payable by the developer immediately, and must be received by the District no later than September 30, 2017.

Mr. Qualls stated there are a couple of distinctions for 2014. The first distinction is the M Plat, though it has been submitted to the County, it has not been approved by the County, so the true up mechanism has not been triggered as to the unplatted acres under the 2014 Bonds.

Supv. Berube stated looking to the developer, if the plat was submitted to the County, but not approved, is that just a timing issue or have you purposely held it, and why is it not approved?

Mr. Glantz responded this question is best answered by Mr. Boyd because the platting process takes months.

Supv. Berube asked is it timing?

Mr. Boyd responded the plat is not recorded until construction has been completed. You do not plat a lot until you know exactly what has been done.

Supv. Berube stated the reason I ask is because there is likely to be a density reduction payment due on that land. We agree on that. You are shaking your head, *no*.

Mr. Boyd stated your Counsel will say it specifically, but when that plat is considered for approval, it will trigger all other unplatted land to go through this review, but Parcel M will not be subject to it. It will be other lands. There will be a true up payment due on the balance of unplatted land in 2014 and there is only one parcel in 2014 and that is Parcel A-2, so Parcel A-2 would be subject to a true up payment, not Parcel M.

Supv. Kassel stated I still do not understand why Parcel M, since it is not yet plat-approved, would not come under the true up mechanism now.

Mr. Boyd stated we are only discussing 2014.

Mr. Qualls stated it is a fair question because what triggers all of this is platted versus unplatted, and this has never been done and yet plats have been submitted and approved by the County. Therefore, we did a legal analysis and determined this has never been done. How do we get you all the facts you need to know? We can still look at what remains unplatted and know what the threshold per acre has to be so our advice is designed or premised on once the plat is approved, we are going to look at the remaining unplatted acres, apply the debt to those acres, and if the debt rate exceeds the \$47,000 threshold, a payment will be due. It is a matter of timing. I do not believe anyone is disputing that if you looked at unplatted lands now, it is likely the debt per acre threshold has been exceeded to be consistent with 2015. What we are trying to say is we need to trigger when a plat is ultimately approved by the County and submitted to the Board because that is just consistent with what we tried to do with the 2015 Bond.

Supv. Walls stated this should have been triggered already on the 2014 and 2015 land. The 2014 lands are currently over the debt threshold.

Mr. Qualls stated I think that is fair, but you have to look to the experts.

Supv. Walls stated I have two different answers here.

Mr. Evans stated the thing that is missing is the explanation between 2015 and 2014 there is a contractual obligation on 2015 to pay immediately. In 2014, there is not a contract. I think that is the piece which has been missing here.

Mr. Qualls stated that is an important piece and we have done a lot of research on this. When you look at the 2015 Bonds, and we talked about that true up agreement that has been signed by the District and the developer, and that true up agreement says that when it is determined the debt threshold has been exceeded, the payment is due immediately. There is no similar contract on the 2014 Bonds. There is a true up mechanism, but there is no contract. There is a true up due and that is not disputed. The key is that Mr. Farnsworth noted the timing in the contract says it is due immediately.

Supv. Berube stated by implication, the initial assessment methodology and I have read every page and every word of it, the true up mechanism is there and you are right, there is no contract. So, the spirit of it going all the way back to 2001, but this all really started in 2007, is as near as I can determine. The true up reality or the need for a true up has existed all the way through. We may not have a separate codified agreement about that, but the spirit of the documents which support all of this, do call for true ups all the way through.

Mr. Qualls stated that is 100% correct. Here is the advice we are giving you. We recognize a true up has never been required. We can take up basically two options. Do we go back in time when each plat was submitted and try to do a calculation then? Severn Trent tells us that would take a forensic analysis which would take a lot of time. What triggered all of this is, and I do not want to speak for anyone other than myself, I represent the District, but my understanding is there are negotiations for a land transfer and the seller asked this be disclosed and taken care of before that closing. Severn Trent said to go back in time and make the determination it is going to take a lot of time. The other option is what we presented which is when the next plat is approved by the County and submitted to the Board, that is what would trigger the true up calculation. That debt is out there. We are saying technically because that plat has not been accepted and has not triggered this. No one is disputing and it is good to have it out there that this amount is due.

Supv. Berube asked on this note, we keep talking about when the next plat is approved, is it M, is it A-2, is it any next plat which gets approved? Which one of the TC triggers the payment due?

Mr. Qualls responded it is the next plat submitted. It is our position just to be consistent.

Supv. Walls stated there is no agreement associated with the 2014 Bonds which specifies that trigger.

Mr. Qualls stated no. There is a true up in 2015 and 2014, the distinction is there is no contract in 2015 requiring the payment be made immediately.

Supv. Walls stated the trigger you are suggesting is based on how we are treating the agreement which exists for 2015.

Supv. Berube stated effectively, it is as close as you can get to that.

Mr. Qualls stated there is no agreement for 2014 which says when that happens. Am I correct?

Supv. Berube responded the assessment methodology calls it out.

Supv. Walls stated I read it. There is no agreement with a trigger in it per se.

Mr. Qualls stated the trigger is always at the time the plat is submitted, it is platted versus unplatted.

Supv. Walls stated let us say that is the standard practice. It should have happened several times before this. I am trying to figure out why we should wait to trigger if it should have been triggered already several times. I understand those are some errors on the part of our management

company which cause this, but I am trying to figure why we are waiting. If it should have happened in the past and we should have just done it like we were doing with 2015, why are we not doing it with the 2014 Bonds?

Supv. Berube responded I think because where it comes down to the definition of platted versus unplatted, we have basically two parcels.

Supv. Walls stated it does not matter, but land has already been platted is all I am saying, and it should have happened at the time that all those different lands were platted.

Supv. Berube stated that is included in the \$22,606.

Mr. Glantz stated I think I may have the answer. For 2014, as there is not an agreement or contract which calls for the immediate payment when the District approves the plat, the District previously approved all plats in the 2014 Bonds, without calling for payment, so that is effectively *water under the bridge*. The next opportunity in my view for the District to call a true up payment on an M or an A-2 on a 2014, is upon the next trigger, which is the submission for approval of the next plat for the District.

Supv. Walls stated I am going to disagree with that because I think it should have happened, whether it takes one year, five years or three years. It should have happened at that time. I did not see the bond document anywhere which stated you have to do it within one year or 30 days. My issue is right now the debt ceiling is exceeded right now based on what everyone said. I do not understand why we would wait to remedy that.

Supv. Kassel stated that is because the developer does not want to pay for it now.

Supv. Walls stated that is fine. What I am looking at is what the documents say and certain things should have happened based on the bond documents. We need to do those things. I do not believe we should put it off.

Mr. Qualls stated I think the trick is you go back to the last plat which was submitted, approved and recorded by the County. That would need to be submitted to the District and the determination would need to be made.

Supv. Walls stated I completely think it is unfortunate our management company did not do that. I get the inconvenience it puts into the sale process, but to me we are doing it by going ahead and making the determination this payment is due now, as a true up. We are doing what the bond documents say. Otherwise we are making up things. It is arbitrary. I do not think we should do that.

Mr. Glantz stated I am on C-29, the true up mechanism in the methodology. The last sentence of the second paragraph talks first about the methodology and the \$47,000, but it says then, *To approve the plat, the District will require payments so that the \$47,046 per acre per debt level is not exceeded.* The distinction here is the District approved the plat without calling for the payment. Our interpretation is, approving the plat without making the call that the density reduction payment is not due and payable until the next opportunities trigger.

Supv. Farnsworth stated we did not make the call at the time because we were not informed enough to make that call. It is fine the way it is. I just want to understand.

Mr. Evans stated the bondholders have outstanding money. They are being paid current interest. There are no damaged parties here. Everyone is being paid. If it is the pleasure of the Board, you can submit an invoice to us and we can ignore it because there is no requirement to pay it, and there are no damages on your part by not getting paid because you are not an injured party.

Supv. Kassel asked is that true they are not obligated to pay?

Mr. Qualls responded no. I do not believe so. I believe what triggers this is when there are unplatted acres where the threshold is exceeded. What our opinion is and what we talked to Ms. Carlson about is if the District were to wait and make that determination upon Plat M being submitted and approved by the County and then submitted to you all, you would still look at the unplatted acres, you would still have a calculation of what was exceeded and if it was paid at that time, you would not have it, so it is timing. It is simply because we were tasked with trying to get this done to accommodate, and that is not the sole thing the District should be concerned about. What we presented to you is a way to address that and upon doing so that threshold will not be exceeded. It certainly is within the District's pleasure to determine how to go back.

Supv. Kassel stated by *kicking the can down the road*, we are not losing anything. In other words, there is no loss to the CDD in terms of debt retirement by *kicking the can down the road* for when the next true up would take place, or is that not the case?

Ms. Scarpone responded I will ask Ms. Moore to confirm whether I have this right, the same way we were talking about it before, there is that mini true up within the parcel, I think, which will occur also on end, so when we have that next payment, you will pay down the debt on the A-2 with the true up mechanism we were talking about, and you will have that product modification looking within it based on the units that if there is any excess debt there when this is

platted into the final subdivided lots/units that will be there built, that would take care of any excess.

Supv. Kassel stated we are depending on our CDD management firm to ensure that happens.

Mr. Qualls stated I would like confirmation for the record that Ms. Moore agrees.

Ms. Moore stated yes, that is correct. There is also something I would like to point out. F and H-2 were the last before M and A-2 and last year Mr. Russ Weir was hired. He was the specialist who was brought in to determine, so I understand there were questions and I was there for that meeting, where we were blending F, H-2 and M properly, and it was at that point in time he cited the debt ceiling threshold for H-2, F-2 and M was, in fact, below the debt ceiling and he cited that he was using the April 27, 2000 Master Methodology Report. He was using a debt ceiling of \$73,519, so F and H-2 were already platted at that point, so it was done at that point by Mr. Weir, the true up analysis for the remaining plats for A-2 and F. At that point, it was determined there was no true up due. It has then been brought to our attention by District Counsel that we should be using the 2004 assessment methodology which supersedes the Master Assessment Methodology. At that point, the debt ceiling is now at \$47,000, so it has only recently been brought to light the debt ceiling that we were told to use by the specialist who is now supposed to be \$47,000, and you are correct. The debt ceiling on A-2 and M is \$69,000. I had to run the numbers, but it is at \$69,000 per acre.

Supv. Walls stated when Mr. Weir made this assessment, you are saying the assessment did happen regarding the debt ceiling when these lands were platted and assessed at an incorrect debt ceiling.

Ms. Moore stated no, he was saying the current ceiling is set at \$57,435.56 and he was using the debt ceiling of \$73,519, which is the Master Indenture.

Supv. Kassel stated I think the answer to your question is yes.

Supv. Walls stated that is disappointing. The debt ceiling would have been reassessed even before the replat. What you are saying is that it was reassessed at \$72,000, and obviously it did not exceed that and the rest of it was good, but realistically, the number should have been \$47,000.

I am learning something new right now and I do not want to penalize Severn Trent because of errors. It is not your fault. I am going to reassess my position and say we will wait until the



next plat happens because it is not fair to them, if that is in fact what happened, that everyone looked at it and believed the debt ceiling was not exceeded.

Supv. Farnsworth stated I have a question which relates to Mr. Glantz regarding injured parties. In what case would we be the injured party unless it came down to the end with that last block and we were to get stuck with that bill? Why is the CDD Board concerned with this at all? It is really between them and the bondholders.

Supv. Berube responded we employed Severn Trent as our manager, so it is up to us to guide Severn Trent.

Supv. Walls stated they are our bonds.

Supv. Kassel stated we are paying them.

Supv. Farnsworth stated the reason we are doing it now is so that it does not get *kicked down the road*.

Supv. Berube stated a minute ago, the problem with not doing it at the time was when you read the inverse, it says to approve the plat. The District will require a density reduction plan so the \$747,046 per acre debt level is not exceeded. When we approved and accepted the plat, we said it is all good. The real problem is that it never got done.

Supv. Walls stated they are saying it was done, but it was done with the wrong number.

Supv. Berube stated we accepted it. It is amazingly complex, there is no doubt about it.

Ms. Moore stated I just wanted to add something to your point. We acknowledged this should have happened in the past. The last time it was done on these lands we believe it was the incorrect number and no one knew it at the time. What we tried to present to you here was the best thing we can do going forward, and we know we have a plat which was preliminarily submitted to the County, and likely will be approved. Again, we know things can happen and it might not. Also on those lands, we only have those two parcels, so once one of them gets platted, the other one gets paid out, as we have said. Whichever one is platted has a safety mechanism, and if we can just apply this consistently with our rate numbers going forward and there are no real adverse consequences, we think this is the best thing we can do going forward. As we acknowledged looking back and trying to amend it the way it should have been done is a bit complicated, but we acknowledge your concerns. They came to light when we were doing our research as well. It should have been done, that is true, but we think waiting to call that payment

when the next plat happens and we know what is going to be billed and assessed is probably what we can best recommend at this point.

Supv. Walls stated I am going to agree with that recommendation, based on what I just heard because I do not want to penalize Severn Trent because apparently something happened and it was done and everyone said they were good to go. We will work on that later.

Mr. Qualls stated I cannot tell you whether to make a motion. However, I believe that in the spirit of full disclosure, I did hear Ms. Moore mention that if we are approved now, which it is not, it would help ballpark what that amount would be now that you would recognize and perhaps consider a motion to recognize the true up threshold was exceeded. There is a number now and when a plat is ultimately submitted and approved by the District, that puts any future purchase on line that when that event happens you will be going to seek the threshold amounts, so no one can claim that there was not full disclosure as to the 2014 Bond.

Supv. Kassel stated we already have that.

Supv. Berube asked do you want to put that specific number into the motion?

Supv. Kassel responded yes.

Mr. Qualls stated I do not know what good it does. I think the point I would want you to acknowledge is that there is an amount on the 2014 Series and I think that is important. It is tempered all over the record, but I think the Board knows the motion is appropriate.

Supv. Berube stated I am going to read the motion and before we say anything we will make sure both Counsels are satisfied with it.

Supv. Kassel stated I think there is something going on here with the management firm.

Mr. Moyer asked is that going to be reflected in the estoppel letter?

Ms. Moore responded I am going to need direction from the District Counsel. The thing I am concerned with is that we have a potential buyer who is going to purchase A-2 and M. For whatever reason, they decide to change the development plan for M, that is going to change the true up amount. They can come back and say I am going to build 150 multi-family units. I have not seen Parcel M, but maybe they decided to change their mind. That is going to change the amount of debt associated with each unit and that will reduce the amount of debt associated with A-2.

Supv. Berube asked is the debt per acre?

Ms. Moore responded yes, but right now we have \$845,000 for M and A-2. If they decide to build anything additional, right now we have a set par for 58 units, which is at \$14,500 per acre. They are building 30 of these units on M. If they decide to come back and build additional units, it is going to increase the amount of debt levied against that parcel which will reduce the amount of debt associated with A-2, which would then reduce the amount of the true up. If the plat is not approved, I would defer that to District Counsel as that changes the amount of the true up.

Supv. Kassel stated maybe simply we make note regarding the existing tax.

Supv. Berube stated a true up payment is due and we do not know the number at this point. That was a suggestion at first, as it is a movable target anyway, because if the current development plan holds that debt is going to decrease as time advances, and it could be 20 years before someone gets approval for that plat and by then, most of the debt will be erased anyway. If they change the development plan, that number may increase anyway. We should assume they are not going to change much very quickly, the number will steadily decrease and maybe it gets to the point where we do not have to deal with it.

Supv. Bokunic stated what I would want to make clear on the record is the following, we may not be able to ascertain the amount which will be due when and if that plat is ultimately approved. Based on what I know today and we are still researching this to issue a good answer, but the estoppel needs to reflect there is this true up mechanism.

Supv. Berube stated right.

Supv. Bokunic stated this payment will be called so no one can claim they were unaware.

Supv. Berube stated I understand and that is the whole point of this discussion.

Supv. Walls stated yes, we have a closing and yes, we need estoppel letters and we have requested them from the District. We have already received the estoppel letters for individual lots we own, predominantly Parcel E and Parcel I. Those we already have on hand. As it relates to the remaining land in 2015, it would be a standard estoppel letter with the pay-down requirement as discussed in today's meeting, as it relates to the two parcels in the 2014 Series, and would be a standard estoppel letter for which you can add language as Mr. Qualls stated saying this parcel is subject to the true up mechanism and that would be sufficient for us. We are looking for estoppel letters plus the motions that you are carrying today to move forward.

Mr. Evans asked what about the language in the estoppel letter for the 2014 Bonds?

Supv. Kassel responded it would be essentially the same thing he wrote before except without an amount.

Mr. Evans stated we are going to say the amount will be due based on, basically you stating the debt is currently exceeded so that upon approval, the next plat density reduction payment will be due and calculated at that time based on the approved density.

Supv. Kassel stated essentially you should read what you read before with a different bond year and not include the amount.

Supv. Berube MOVED to approve the Board finding the debt ceiling is currently exceeded on the platted lands and therefore, when the next plat is submitted, a density reduction payment will be due from the developer, and the payment amount is to be determined at the time of plat submission to the District.

Supv. Kassel asked should it be plat approval?

Mr. Qualls responded it is approved by the County and then submitted to you all and approved.

Supv. Kassel SECONDED the prior motion.

Mr. Qualls stated the only thing I need to say is that you did not reference the 2014 Bond Series. Perhaps you would be willing to amend your motion.

There being no further discussion,

On VOICE vote with all in favor, the prior motion was amended as follows: The District finds as to the lands subject to the 2014 Bonds that the debt ceiling is currently exceeded on the unplatted land. Therefore, when the next plat is submitted, a density reduction payment will be due from the developer. The payment amount is to be determined at the time of plat submission to the District.

Supv. Berube stated that concludes our discussion of the Assessment Methodology Report and true up items.

**FOURTH ORDER OF BUSINESS**

**Staff Reports**

**A. Engineer**

There being no report, the next item followed.

**B. Attorney**

There being no report, the next item followed.

**C. Field Manager**

Mr. van der Snel stated I have a proposal which developed with Field Services and it has minimized the cost by doing everything in-house, even with Servello. However, there is going to be a point at which I will need a small budget so that they can do the arborist's part, which is a specialized arborist who removes the larger trees.

Supv. Walls asked does this include the tree in front of my home?

Supv. Berube responded it does not include that one.

Mr. van der Snel stated that was done in-house.

Supv. Walls stated the tree is cut in half.

Supv. Berube stated it may live.

Supv. Walls stated it is not going to live. It is dead. I did see it on here, but I assumed we would do all trees.

Mr. van der Snel stated I just need this to get started with tree removal on Town Square, the big Sycamores and fallen trees which cannot be lifted again.

Supv. Walls stated you are talking about debris laying on the ground.

Mr. van der Snel stated what is laying on the ground has already been taken care of. Some trees are too big to handle in-house.

Supv. Walls stated I do not think you are going to be able to handle that tree in front of my home is what I am saying. That is going to require stump grinding. I want to make sure this is all inclusive of what we need.

Mr. van der Snel stated this excludes stump grinding. It only includes tree removal by the arborist.

Supv. Kassel asked how tall is your stump?

Supv. Walls responded it is approximately 12 feet.

Supv. Kassel asked is that included?

Supv. Berube responded no.

Supv. Kassel stated you are not going to grind it at 12 feet. You have to cut it down all the way.

Supv. Walls stated it has to be cut down and ground. I am trying to get a feeling as to what we are doing with this.

Supv. Berube stated this quote covers specifically these trees. We are going to have another one after the fact, for some stump grinding we will have to add the one in front of your home and we may find some other material as we get into this. The problem is that some of these are dangerous. The one next door to my home is half of the tree dangling from twigs and it is all cordoned off now, but that is front of the school. It is going to come down at some point. I am certain two weeks from now when we have another meeting, there is going to be another of these from Servello to pick up the rest of the slack. Right now, we need to get rid of the dangerous stuff and traffic impediments.

Supv. Kassel stated this does not include any replacement. This is just for clean-up.

Supv. Berube stated not yet.

Mr. Walter stated it is frankly fortunate that you are meeting. I probably would have approved this as your manager, but we are meeting, so we can do it.

Supv. Berube stated the timing was good.

There being no further discussion,

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| On MOTION by Supv. Kassel seconded by Supv. Farnsworth with all in favor, the estimate from Servello & Sons Inc. to provide an arborist to remove larger trees damaged in the storm, was approved. |
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Mr. van der Snel stated I sent everyone a damage report. I already have an updated one, which was sent in for the agenda for the September meeting.

Supv. Walls stated I just want to include for the record, you guys did an excellent job cleaning up. It is night and day from where it started to where it is now, and quickly too.

## **FIFTH ORDER OF BUSINESS**

### **District Manager's Report**

Mr. Walter stated I just have one brief item. Frankly, I would have gone through the full hurricane response, but I think Mr. van der Snel has been doing a great job in keeping you guys informed as to what is going on.

I just distributed to the Board the Central Florida Expressway Authority's plans for the Beltway. I just want to make you aware these meetings will be taking place soon. You may be asking for Counsel on this at some point in the future on which alignment has potential impacts, positive or negative.

Supv. Bokunic stated it is my understanding there is bond money to move this along quicker because originally, the plans may be coming quicker than we thought. Originally, it was 20 years out.

Mr. Walter asked is that outside of the boundary of this District?

Supv. Bokunic responded at one point there was one further east of this District, now it is west of this District.

Supv. Walls asked are there any District facilities which are not open right now or is everything running?

Mr. Walter responded Town Square is closed for any activities, but everything else is open. There is no structural damage. The boats are fine. There is some damage to the docks, but further on we came out good.

Supv. Kassel asked are any Harmony lands affected by this?

Mr. Walter responded there are some developer-owned lands to the west end which may be impacted.

Supv. Kassel asked does that mean they are moving forward with the northwest parcel development or are they waiting? Was the next parcel development going to be Harmony West?

Mr. Walter responded there is a preliminary plan which was submitted to the County and what happens from this point forward is up to the new land purchaser probably. A buffer was left out of that plan.

Supv. Kassel stated I know some CDDs have been part of the PUD and they had originally been thinking they were going to go off the pipeline just north of 192, right over this way, but they decided to go to the west, and I am just trying to get a picture of what it is, as they only have A-2 and M. They are selling the rest of the land to a new developer, I understand, but there is some activity which is preparatory for the next development phase.

Mr. Walter stated a version of this has already been submitted as a preliminary plan to the County. The new landowner or buyer may very well change what the plan was. I do not know

specifically what their plans are. They could leave it the same and proceed with it. If they do so, it does allow for the corridor that the county set aside.

**SIXTH ORDER OF BUSINESS**

**Topical Subject Discussion**

There being no report, the next order of business followed.

**SEVENTH ORDER OF BUSINESS**

**Supervisors' Requests**

Hearing no requests from Supervisors, the next order of business followed.

**EIGHTH ORDER OF BUSINESS**

**Adjournment**

There being no further business,

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| On MOTION by Supv. Berube seconded by Supv. Kassel with all in favor, the meeting was adjourned. |
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Chuck Walter  
Secretary

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Steven Berube  
Chairman