

MINUTES OF MEETING
OTC COMMUNITY DEVELOPMENT DISTRICT

A regular meeting of the Board of Supervisors of the OTC Community Development District was held Wednesday, July 11, 2018 at 10:30 a.m. at the offices of England-Thims & Miller, 14775 Old St. Augustine Road, Jacksonville, Florida 32258.

Present were:

Michelle Pierce

Rose Bock

Rocky Morris

Kurt von der Osten

Chairperson

Vice-Chairperson

Supervisor

Supervisor

Also present were:

Jim Perry

Kati Buchanan

Jonathan Smith

Sete Zare

District Manager

District Counsel

Katz Properties (by phone)

MBS Capital Markets, LLC

FIRST ORDER OF BUSINESS

Roll Call

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

SECOND ORDER OF BUSINESS

Audience Comments

There were no members of the public in attendance.

THIRD ORDER OF BUSINESS

Affidavit of Publication

A copy of the affidavit was included in the agenda package.

FOURTH ORDER OF BUSINESS

Approval of the Minutes of the May 9, 2018 Meeting

Mr. Perry stated I think the only correction is on page one it should be Jim Oliver instead of myself. Mr. Oliver conducted the meeting last month.

On MOTION by Mr. Morris seconded by Mr. von der Osten with all in favor the Minutes of the May 9, 2018 Meeting were approved.

FIFTH ORDER OF BUSINESS

Acceptance of the Fiscal Year 2017 Audit

Mr. Perry stated just a couple of items for the record. On page one is the opinion from Grau & Associates. On the bottom of that page is what would we refer to as a clean opinion and

that’s what you want to see in any audit report. You don’t want to see an opinion that says, “except for”. The “except fors” give you cause for concern because there are some issues that the auditor is going to point you to. This district has always has clean opinions. Also, on page 24 is the report on internal control. Even though it’s not directly the crux of the audit, they do review internal control and they had no findings or recommendations. Also, after that on page 27 is specific items related to the auditor general of the State of Florida and they noted no non-compliance with any of those items. Of course, there were no recommendations from the prior year or this year. Again, it’s a clean audit and it’s been filed with the State already.

On MOTION by Ms. Pierce seconded by Ms. Bock with all in favor the Fiscal Year 2017 audit report was accepted.

SIXTH ORDER OF BUSINESS

Public Hearing to Adopt the Budget for Fiscal Year 2019

Mr. Perry stated the budget for this district has been pretty consistent with years past. There are very little assets in this district and this is basically an administrative budget. There was one item I needed to change on page one where it shows the first column adopted budget fiscal year 2018, the carry forward surplus number should have been \$25,107 instead of the \$18,707 and I don’t know how that number got there other than somebody put the wrong number in so we will change that. Again, you’ll see the costs and so forth are consistent with prior years and the assessment levels are the same so there are no changes in assessments to the individual property owners. That’s in regards to the general fund budget. We also have a short synopsis of what each of the line items are and then you also have the debt service fund for the series 2007A bonds which we will talk about later but in regards to the budget there are no changes to those debt service requirements. We also have a capital reserve fund and again, it is consistent with prior years.

On MOTION by Ms. Bock seconded by Mr. Morris with all in favor the public hearing was opened.

On MOTION by Mr. Morris seconded by Ms. Pierce with all in favor the public hearing was closed.

A. Consideration of Resolution 2018-06, Relating to Annual Appropriations and Adopting the Budget for Fiscal Year 2019

On MOTION by Ms. Pierce seconded by Ms. Bock Resolution 2018-06 was approved.

B. Consideration of Resolution 2018-07, Imposing Special Assessments and Certifying an Assessment Roll

Mr. Perry stated the assessment roll will be based upon the budget that we just adopted.

On MOTION by Mr. Morris seconded by Ms. Bock Resolution 2018-07 was approved.

SEVENTH ORDER OF BUSINESS Other Business

Mr. Perry stated we have MBS Capital here today so I'll let Sete go through a presentation.

Ms. Zare stated I handed out a presentation and I will go through each slide with you guys. The District previously hired MBS to monitor the refinancing of the Series 2007 bonds. We are currently in a position to refinance those bonds right now. Just a little background on the 2007A bonds; they are currently outstanding at \$7.515 million. They have a coupon of 5.3% and they are currently callable on May 1, 2017 so at the discretion of the Board we can take high interest rate debt and replace it with low interest rate debt, thus creating a savings that we can pass on to the landowners. The current credit dynamic of the District is they've pretty much matured. They are 97% vertical and about 21,000 remains vacant in terms of square footage. This is a completely commercial district so this refinancing will lend itself to a bank deal rather than the public offering route. With a public offering route we would have to go through rating agencies and they typically shy away from all commercial districts because of the lack of diversification. With that we would ask to move forward with a bank financing. We put out proposals to multiple banks and we try to get the most aggressive terms. MBS would come back to the Board and provide each analysis per term sheet for you guys to decide whether you want to move forward with those term sheets. The benefit of a bank deal in my experience is that once they do provide a term sheet and once there is a signature on that term sheet, that rate is locked in until we close, whereas in the public offering market there's variability in the rate until the day that we price. I went ahead and ran a sample analysis for you guys. I'd like to say that this is

fairly conservative, I just wanted to give you an example of what it would look like if we did move down this path. Assuming that it's a 4.25% coupon, keep in mind that the current interest rate is 5.3% so we're looking at about a 1% reduction in terms of rate. That would generate about \$55,000 in annual debt service savings through the life of the bonds. The maturity is May 2038 and that would stay consistent regardless of what we do so we would not extend or shorten the maturity. If you also take note of the par amount, as I mentioned it's currently outstanding at \$7.515 million, our goal is to maintain par neutrality so we don't want to increase the debt to get this refinancing done, we want to stay level and give the district two wins; one to maintain the current debt levels, if not less, but also to reduce that annual debt service assessment for the landowners. On a square footage basis, if these were the terms, you'd be looking at about .7 per square footage reduction.

Mr. Morris stated sounds great.

Ms. Zare asked do we have the blessing from the Board to move forward with putting out a request for proposals to multiple banks?

On MOTION by Mr. Morris seconded by Mr. von der Osten authorizing MBS to move forward with an RFP for bank proposals was approved.

Mr. von der Osten asked I notice initially these were non-rated, are the new ones rated?

Mr. Perry responded no.

Mr. von der Osten asked don't we get better rates on rated?

Ms. Zare responded the struggle with this district in particular is that it's all commercial and to go to a rating agency they will have to see landowner diversification. Because this is all commercial we're looking at about ten landowners so the top ten taxpayers are the entire district. One of the criteria that S&P or any of those rating agencies looks at is the default of the top ten taxpayers through maturity and can the district withstand that and because this is a commercial development if all of the landowners within the top ten taxpayers they wouldn't be able to withstand that metric alone. We would never be able to get a rating on this refinancing because of the commercial component. Typically in a residential community you would see all of the homes spread the risk diversification, there's vertical build out and S&P would be welcoming to that kind of deal.

Mr. von der Osten stated that makes sense. Does the carry forward surplus stay there as a safety net or is that used to pay down the par value?

Ms. Zare responded in the refinancing all of your prior funds have to liquidate towards this financing. We've got to close the trust estate or the revenues to the 2007 bonds and then create the 2018 bonds so all of those funds will be liquidated towards this refinancing. Keep in mind, your debt service reserve fund was actually halved because you've reached substantial absorption so that is roughly half of what it was originally when it was issued. Yes, it will be liquidated but it's to the benefit of the district. It's going to help the financing.

Mr. von der Osten asked wouldn't liquidating that to reduce the par value have an affect on that .7 a square foot reduction along with the lower interest rate?

Ms. Zare responded yes that's already considered so when I did this savings analysis the liquidation of what I think is roughly \$300,000 has already been considered so it will help.

Mr. Morris stated yeah it says, "these figures are all net of all costs and transfers form the existing trust estate".

Mr. Perry stated as part of the process this is obviously preliminary but we will do an assessment methodology based upon the final deal that is struck. Not putting any pressure on you, but in most cases it seems to be better than what the preliminary is but we will see.

Ms. Zare stated yes I did go conservative. I'm going to send it to a lot of banks so we get aggressive competition and terms. Hopefully at the next board meeting you guys are pleased.

EIGHTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

There being none, the next item followed.

C. Manager

1. Report on the Number of Registered Voters (0)

Mr. Perry stated we are required by Statute to report the numbers of registered voters annually and there are no registered voters.

Mr. Morris asked I'm assuming that is a Statute relative to any community development district?

Mr. Perry responded it is. It's kind of related to the turnover and the Statute probably needs to be changed but that's the way it is.

2. Discussion of the Meeting Schedule for Fiscal Year 2019

Mr. Perry stated we have meeting dates proposed there but with moving forward with the refinancing of the bonds we do need to set up some dates so I don't know for timing what you would prefer?

Ms. Zare responded we will send out a request for proposals and it typically puts a two-week deadline on them and then give us a week to analyze the term sheets. I was thinking mid-August if that was available for everybody.

Mr. Perry stated just a point of clarification for everybody, in Duval County the tax rolls are due earlier than most so whatever savings that does happen with this refinancing won't be reflected in the assessments for this next year, it will be the following year, 2020.

Mr. Morris asked so that would be Wednesday, the 15th?

Ms. Zare responded whatever works with your schedule.

Mr. Perry asked Katie will you be back for this one?

Ms. Buchanan responded either Jason or myself.

Mr. Perry asked is there any particular day that might work that week for you?

Ms. Buchanan responded I am here in town the morning of the 14th and the afternoon of the 15th.

Mr. Perry asked do we want to try the 15th at 2:00?

Mr. Morris responded that's good.

On MOTION by Mr. Morris seconded by Ms. Bock with all in favor the FY19 meeting schedule was approved.

NINTH ORDER OF BUSINESS

Supervisors' Requests and Audience Comments

Mr. von der Osten asked once we get the term sheet we will be voting on that right? Will we have any input or opinion from the owner on that? Is that our sole decision?

Mr. Perry responded I'm sure it will be reviewed with them.

Ms. Buchanan stated if I can have a clean copy of this I can send that to them when I get back to the office and we can go from there.

Ms. Zare stated I can work on hopefully getting the term sheets in advance of the board meeting and doing an analysis and side-by-side comparison of each and provide it to the board so you can maybe take it on and have that discussion prior to the meeting. It would definitely be a group decision.

TENTH ORDER OF BUSINESS Financial Statements

Mr. Perry stated the financial statements include the balance sheet as of May 31st and also the statement of revenues and expenditures. You'll see we're pretty much in line. This district very seldom has any material variances. You also have your debt service and capital reserve funds.

ELEVENTH ORDER OF BUSINESS Assessment Receipt Schedule

Mr. Perry stated we are 100% collected, which is where you want to be.

TWELFTH ORDER OF BUSINESS Approval of Check Register

Mr. Perry stated the check register totals \$395,539.86. The reason it is so high is the debt service funds come into the general fund account and then you have to transfer them out. Otherwise, the expenditures would be pretty minimal.

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

THIRTEENTH ORDER OF BUSINESS Next Scheduled Meeting – TBD

Mr. Perry stated our next scheduled meeting will be August 15th at this location at 2:00 p.m.

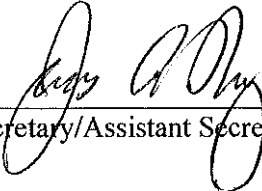
On MOTION by Mr. Morris seconded by Ms. Bock with all in favor a meeting on August 15, 2018 at 2:00 p.m. was approved.

FOURTEENTH ORDER OF BUSINESS Adjournment

On MOTION by Ms. Pierce seconded by Mr. Morris with all in favor the meeting was adjourned.

July 11, 2018

OTC CDD


Secretary/Assistant Secretary


Chairman/Vice Chairman