

MINUTES OF MEETING
BRANDY CREEK COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Brandy Creek Community Development District was held on Wednesday, February 13, 2013 at 6:02 p.m. at Watson St. Johns Realty, 175 Hampton Point Drive, St. Augustine, Florida 32092.

Present and constituting a quorum were:

Gary Williams	Chairman
Dianne Drinkwater	Vice Chairperson
Barbara Little	Supervisor
Jason Hill	Supervisor
Charlie Arnold	Supervisor

Also present were:

Jim Oliver	District Manager
Jason Walters	District Counsel
Brad Weeber	District Engineer
Mike Usina	Facility Manager
Jim Perry	GMS, LLC
Brett Sealy	MBS Capital Markets
Bob Gang	Greenberg Traurig (by phone)
Greg Dunn	Florida Forestry Service
Angi Palmieri	Elite Amenities
Sal Palmieri	Elite Amenities
Danielle Simpson	Riverside Management Services
Residents	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Williams called the meeting to order at 6:02 p.m.

SEVENTH ORDER OF BUSINESS

Discussion of Florida Forest Stewardship Program

Mr. Greg Dunn stated I want to thank Mike Usina. He and I went around last month and took letters to the residents, where we talked about doing the mowing in the common grounds. Everyone was very receptive to it. I think they really liked the idea of actually hand delivering the letters and talking to them.

Mr. Williams stated in the past we had a much broader discussion about forestry planning. This is a smaller one. In some of our common areas, we wanted to do some mulching to help with fire prevention. I want to say it impacts about 12 or 13 residents.

Mr. Dunn stated you will see that along the main road coming in and out. It is going to be on the west side of the road. It is on Johns Creek Parkway. It is those small islands that we are looking at under brushing the palmettos and galberries in that area. All of the pine trees are going to stay there. The tall trees are going to stay. It is just the underbrush that we are looking at removing for wildfire protection.

Mr. Williams stated and this is at no cost to the District.

Mr. Dunn stated that is correct.

On MOTION by Ms. Drinkwater seconded by Mr. Williams with all in favor the Florida Forest Stewardship Mowing Plan was approved.

Mr. Williams asked what kind of timing do you expect?

Mr. Dunn responded I will give this to them tomorrow and then I will find out what their schedule is. I would think two to three weeks. I will get in touch with Mike before they come in and I will give him their timetable. We will notify the residents of when we are going to do that.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the December 12, 2012 Meeting

Mr. Williams stated included in your agenda package is a copy of the minutes of the December 12, 2012 meeting. Are there any additions, correction or deletions?

On MOTION by Ms. Little seconded by Mr. Williams with all in favor the Minutes of the December 12, 2012 Meeting were approved.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the January 9, 2013 Continued Meeting

Mr. Williams stated included in your agenda package is a copy of the minutes of the January 9, 2013 continued meeting. Are there any additions, corrections or deletions?

Ms. Drinkwater responded on page seven the resident talked about some hearsay information with regard to not considering residents for the position. Then I made a comment and then Jim made a comment. I just want that to be clear that my intent was never to exclude residents including me, as well. My remarks were to clarify that I wouldn't want residents to work directly for Brandy Creek CDD. I didn't mind them working for a management company under the supervision of Brandy Creek CDD.

On MOTION by Mr. Hill seconded by Ms. Little with all in favor the Minutes of the January 9, 2013 Continued Meeting were approved.
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FOURTH ORDER OF BUSINESS

**Update Regarding Series 2003
Bond Refunding**

Mr. Williams stated we have had several conversations over previous meetings about taking advantage of current lower interest rates to refinance our bonds. We have a couple of options that are on the table for us to discuss. I do believe we need to make a decision tonight because we would need to hold a special assessment hearing to make sure that residents and homeowners are up to speed.

Mr. Walters stated included in your agenda package is a presentation from MBS Capital Markets. Brett Sealy is here on behalf of MBS Capital Markets. He has been before the board before.

Mr. Brett Sealy stated I have been before the board a number of times and we have been talking about this and working on this for almost a year at this point. If you recall, we previously gone out and submitted a credit package to Standard & Poor's. They provided a rating of A for the proposed refinancing bonds. We were waiting for additional 2012/2013 assessment collections to come in prior to proceeding to the refinancing. Over that period of time, my firm has been working on a number of other refinancings and had been working with several banks about the possibility of doing a direct private placement of the bonds to a particular banking institution with the intent of providing hopefully a better economic result as a result of a direct private placement

versus going through what we call the public offering process, where we actually prepare an offering memorandum and then price the bonds. The issue that we have had as it relates to finding a bank that would be willing to participate in a transaction like this are duration concerns. Not many banks think 20 years out and your maturity on your bonds is just a little bit more than 20 years. While we have been working on this for some time, it was just very recently that we found a banking institution, BB&T, that was willing to provide commitment letters and undertake transactions such as these refinancings of the District's bonds. They have provided a commitment letter, so in addition to the public offering scenario, which we would have been getting started on documents with and proceeding down that path, in addition to that alternative or option, we also have received a commitment letter and it is important to talk through those options. You need to understand the economic component of it and also the difference between certain terms and conditions that the board should be aware of in making a decision. If you turn to page four, we will start on the economic side and then move into the other terms and conditions. This is very similar to what you have seen before. I have provided a number of different data points as it relates to the proposed refinancing on the column labeled bank private placement scenario. As you can see the bank is offering a 3.57% fixed rate for which they will hold or lock for 45 days from the date that we received a commitment letter, which was February 7th. The estimated net present value savings percentage is about 22%. Generally, general governments, City's and counties use a net present value benchmark of between 3% to 5%, so this is well in excess of the benchmark that Jacksonville, St. Johns County or other governmental entities would use to proceed. The estimated annual debt service reduction is roughly \$87,000, which is about a 21% reduction per year. The debt service reserve fund requirement is just 10% of one year's principal and interest, which is significantly better than what we could do on the public offering side, S&P or the rating agency, as a condition to giving a rating required a half year or 50% of one year's principal and interest. In addition to that, because of the banks duration concerns and their limitation to no greater than 20 years, they will only go out 20 years, so these numbers all reflect also taking one year off the final maturity. On the public offering side, there is no rate lock. We have to wait until we mail an offering document. We are the subject to changes in market conditions. We are estimating today based upon that A rating, the

average coupon would be a 391, so roughly 34 basis point differential between the private placement scenario. The net present value savings percentage is still very high at 17%. The annual reduction is about \$11,000 less at \$76,500. We are at about a 19% reduction. The final maturity in this scenario would be May 1, 2034, which is consistent with the maturity on your existing bonds. As we talked about before, we are prohibited by State Law from extending the maturity out anyways, so this would be consistent with that existing maturity. The reserve fund requirement would be one half years principal and interest. That is the economic side of this, so you have an opportunity to compare the two different scenarios purely from the financial standpoint.

Mr. Williams asked what is the reserve requirement for?

Mr. Brett Sealy responded on standard and all municipal bonds there is typically what is called a debt service reserve fund. On your nonrated original issuance it was one years principal and interest, which is rather standard for municipal bonds. That reserve fund is there that in the event that the District is unable to collect sufficient assessments to pay its debt service. The reserve fund would then be used to make that payment and then if the District were to direct collect the assessments, it would undertake the remedies available to it. In this case, all of the homes are constructed. The assessments are being collected by the tax collector and therefore, if someone didn't pay their taxes then the County would sell tax certificates and eventually someone could apply for a tax deed if it carried on for a number of years. It is there to pay principal and interest in the event of the inability for the District to make the debt service payment.

Mr. Williams asked what is the difference in the cost of issuance between the two proposals?

Mr. Brett Sealy responded as it relates to the public offering scenario, there are additional costs associated with the printing of an offering document. We anticipate there would be some additional legal costs as a result of the opinion that would need to be given for a public offering versus a private placement and just additional legal review. I have made an estimate of about a \$10,000 differential.

Mr. Williams asked and the rating of the bonds is not necessary for the private offering, right?

Mr. Brett Sealy responded that is correct. There would be no requirement for the private offering to have an underlining rating. The banks do not require it.

Mr. Williams asked so the expense that went into that rating, how does that get dealt with?

Mr. Brett Sealy responded my firm originally agreed to shoulder the risk of going out and getting the rating and if this District decided they just didn't want to refinance their bonds or the market moved and the economics went away, my firm would pick up that cost. What I had represented was is that in the event that the District proceeded with a refunding that would get paid out of cost of issuance. In the event that it is not needed, in good faith since I have done a lot of business with this District and will be back here to hopefully refund the next series of bonds my firm will pick up the costs of that rating.

Mr. Williams asked so that is not factored into the \$130,000?

Mr. Brett Sealy responded at the moment the rating fee is included in that \$130,000.

Mr. Williams asked so how much is the rating fee?

Mr. Brett Sealy responded \$12,000.

Mr. Hill asked what is the rate adjustment?

Mr. Brett Sealy responded we were going to talk about that in the terms and conditions section. I will walk through that. That is a critical component of understanding the private placement versus the public offering. If you turn to pages seven and eight, it just illustrates the differential between the annual reduction in debt service between the two scenarios. Right now, on the private placement the rate would be locked. It is a reduction of \$241 per year. On the public offering side, we are estimating it would be \$212 per year.

Mr. Williams stated what we are talking about is that our annual assessment goes down by \$241 and that is significant.

Mr. Brett Sealy stated and based upon my experience with other Districts anything in the double digits is a good number. We are up near or over 20%. This is about as good of a reduction as we have seen.

Mr. Williams stated there are two aspects to the annual assessments. There is the bond repayment, which is the piece we are talking about and there is an assessment for operation and maintenance.

Mr. Walters stated and just to be clear, we are only talking about the phase one bonds, which are the 2003 bonds.

Mr. Brett Sealy stated if you turn to page 10, we will walk through some of the differentials between the terms and conditions of the private placement and public offering. The reason why the bank is providing better economics is a result of the fact that these bonds would be deemed, which is known as bank qualified. Under the tax code, if this issuer issues less than \$10M in a calendar year then the bonds are deemed bank qualified. There is a tax incentive for banks to be purchasing bank qualified bonds or making bank qualified loans. Hence, the differential you are seeing in the rate. On the private placement side, there is slightly lower interest costs. There is slightly lower cost of issuance. You have a 45 day rate lock, whereas on the public offering side we are subject to market conditions. We have a little shorter timeframe on the private placement versus the public offering. I think the longer timeframe of the public offering really comes into play that any additional time means potential additional interest rate risk. On the private placement scenario, the bonds become callable on any interest payment date at a 1% premium, which provides for the ability to refund them in any six month period between now and their maturity. On the public offering side, it is very similar to the call provisions that you had on your existing bonds. The bonds would be call protected for 10 years. These are standard provisions for a publicly offered municipal transaction.

Mr. Williams asked meaning on the public side, we couldn't refinance for 10 years?

Mr. Brett Sealy responded that is correct. The private placement scenario, you are shortening the maturity by one year. On the public offering side, you are keeping it exactly the same. With the private placement, there is no offering memorandum requirement versus a public offering. A smaller reserve fund of the private placement side and larger on the public offering side. There would be a rate adjustment in the event that the bonds lost their bank qualified status. The bonds would lose their bank qualified status if this District undertook issuing additional bonds in 2013 in excess of \$10M inclusive of the refunding part. If the District were going to undertake additional bond issues this year, we would be above \$5.4M then these bonds would run the risk of losing the bank qualified status. It would be limited to any additional tax exempt

offering this year of no greater than that \$10M. Unless the District has some capital improvement plans that we are unaware that we have not discussed, then I don't see that being an issue. As a standard bank provision for a bank qualified deal, this is not unique to this District or CDDs, the bank requires that in the event that the bonds themselves lose their tax exempt status that there would be a rate adjustment, so they would be compensated, so the rate would go from a 3.57% to a 5.30%. In addition to that, as part of the banks standard requirement for undertaking this type of transaction, in addition to the rate adjusting upward, they also have what is called a make whole provision and that make whole provision would basically provide for the District to make up the difference between the taxable rate for any year's prior for which they may be responsible for paying taxes as a result of the bonds being deemed taxable. We are going to talk more about why bonds would be deemed taxable. They also include that the District would pay not only that differential but any penalties and interest that they would be subject to. I am going to shift this over to the legal side of things in a moment but I will give you a little bit of background. There are roughly 600 Community Development District's in the State of Florida. A number of them have been audited. To my knowledge, none of the bonds have been deemed taxable. My guess is we probably wouldn't be having as in depth of a conversation regarding taxability potential if there weren't an ongoing audit of one particular District to have many different facts to it of which this District has one data that matches the fact pattern of that District. The Village Center CDD has been under audit for five plus years. They have been waiting on a private letter ruling from the IRS. There has been some verbal communication from the IRS regarding the potential taxability of the bonds as a result of that District having issued bonds at the time a single landowner had a controlling interest in the board. That meets the fact pattern of just about every District out there because typically a District starts as raw land with one landowner, builds its infrastructure, homes are sold and residents move in. Because of that ongoing issue I think the entire CDD community are all in heightened alert regarding what affect that private ruling, which runs to that District only. One of the things the District does need to take into consideration is while the economics of the private placement are better and while this District doesn't meet the many different data points that would make it consistent with the Village Center CDD, where that District will never turn over to a resident board because it is commercial property and it is

owned by one landowner. There will be no qualified electors in that District. The District should be considering the difference between the terms and conditions on the public offering side. There is no rate adjustment; however, whether the District refunds its bonds or doesn't refund its bonds, it still has tax exempt bonds that were issued at a time when there was a single landowner. I am not here to tell you that you have liability or risk as it relates to bonds being taxable. The two different scenarios are for the most part on the private placement side if it happens, you can calculate exactly what the downside is short of the penalties and interest component. On the public offering side theoretically if the IRS came in and deemed the bonds taxable then they would come to the District and enter into some sort of settlement. If the District said we are not settling and we don't have money to settle, theoretically it would probably be an easy leap of faith to think that the bondholders, who own the bonds, would be coming back to the District if the bonds were deemed taxable. How quantifiable legal fees are for defenses is unknown. Having said all of that, no District has been deemed taxable at this point and time but we need to make sure that we have explained each of the two different scenarios.

Mr. Walters stated Brett is right. He is giving you the business terms and there are slightly different business terms between these two avenues. From our perspective, it is important that we lay this all out on the table, so the board can make an educated decision here. Obviously with the bank situation there is a lower rate and there are better economic terms and that is put forth in the presentation. In the past District's haven't gone through these bank routes. The initial offering was done publicly and those terms were not included in the indenture, so this new ground for this District. This will be new ground for a lot of Districts. When we go to the bank they will have that provision in the indenture and in the event that six years down the road the IRS audits this District and the bonds are deemed taxable then we just follow those provisions. We say either we have come to a settlement and the bonds have remained nontaxable or we couldn't come to a settlement agreement with the IRS and we are going to allow the bonds to become taxable and we are going to follow the rate adjustments and the make whole provisions. I think as a group we would say it is a pretty speculative risk at this point. Even if they were to come out and say we determined or we issued this technical advisory memorandum, which says we think this issuance in particular is not exempt or

we think certain perimeters make issuances not exempt. As Brett said the fact pattern is very different. We do have several resident elected supervisors that were on the ballot. We want to get this process started. We have a window in the next 30 to 45 days, where we have a rate locked in with the bank and we need to make a decision. In the agenda you will see there are a couple items related to assessment resolutions. The reality on the assessment resolutions is that we will only go through the assessment process on the bank placement side. The reason for that is the assessments are coming down. Even the principal amount of the assessments are coming down, so normally we wouldn't go through an assessment process. The one additional trigger that is causing us to make sure we have full disclosure to our residents who are paying the assessments if we go the bank route is that make whole provision that Brett explained. It is somewhat speculative in nature. It would depend on the circumstances between how we negotiate with the IRS, what penalties may be imposed, how long down the road it is, etc. We need to incorporate that possibility into our assessment, so it is an un-liquidated amount but it is something that we need to let the residents know. In the event that our bonds were deemed taxable, we may have to collect revenues to fund that liability. If we went the public offering route and our bonds were deemed taxable, there is going to be expenses and things associated with that but it is not included in the indenture. When we include it in the indenture as a contractual term, I think that is something that should be disclosed. We are in a great position here. This is a substantial savings on the assessments and that is good news.

Mr. Arnold asked I like the economics of the private placement but do the potential variables of that outweigh the economic gain?

Mr. Oliver responded we just did a refunding at Julington Creek Plantation with similar terms with BB&T. They chose the private route.

Mr. Sealy stated in the last handful of deals, BB&T has provided commitment letters, which were accepted on Julington Creek, Celebration, Live Oak I and Diamond Hill. They are proceeding. In the case of Meadow Pointe, which a 20 year old development with four Community Development District's that have refunded a number of series of bonds elected to go the public offering route by virtue of the fact that the terms provided in the term sheet were not as favorable for this District. In fact in that particular term sheet what we understand with BB&T going forward is that they are not

going to size the reserve fund at 10%. They are always going to ask for one years principal and interest, so the economics of the private placement shifted and the public offering scenario came a little bit better and the board said we will take a little interest rate risk and we are proceeding with the public offering. So far there have been more that have elected to go private placement than public offering.

Mr. Williams asked so what we are doing as a board tonight is choosing a direction to go and then we would hold a discussion with the residents following proper notice, which going to be 28 days and that is when we would actually make the final decision, right?

Mr. Sealy responded you would be making a decision tonight to proceed and in the event that you went the private placement route, District Counsel has advised that the District should proceed with Chapter 170 assessment process. That process requires noticing residents and holding a public hearing at which time depending upon the public comment and testimony that you received, this board would sit as a board of equalization and adjust assessments accordingly or in this case could make an election in its entirety not to proceed with a private placement based upon that comment and feedback. Certainly, the bank asks for an acceptance of the commitment letter within 10 days, so we would notify them on that. I am not aware of anything in that commitment letter that there are any penalties in the event that the District says yes and then decides based upon public comment and testimony at the assessment hearing that you don't want to go that route.

Mr. Walters stated that is all correct. For practical purposes the board has to choose an avenue tonight. We could change that avenue but we are going to have to start the assessment process if we are going the bank route. If we were going the public offering route, we would prepare that offering statement, which is a very thick document. We do need to make a decision because it will change the staff's direction and the hearing process. If we got to that point and something changed and we didn't like it then we could certainly back off of it.

Mr. Williams asked if a bunch of public members say we think something completely different than you decided 30 days then that may change the boards direction, so I want to know what the impact of that could be?

Mr. Walters responded that is correct if 100 people showed up and said we don't want you to save money and we want you to go a different route.

Mr. Williams asked so we could change our mind in 30 days at no cost to us?

Mr. Walters responded we could. You probably have incurred some legal costs and some consulting costs though.

Ms. Drinkwater asked the estimated cost of issuance, is that currently in the budget?

Mr. Oliver responded it would come out of the proceeds.

Ms. Drinkwater asked where do the reserve funds come from?

Mr. Walters responded they come from the established reserve we have now. We currently have a larger reserve than we would need under these scenarios, so that money along with the assessment revenues, along with the new money coming in from the new lender would pay all of these costs. It is not going to affect our O&M.

Ms. Drinkwater asked and that special assessment notification is only for the private offering?

Mr. Walters responded yes and that consists of a letter that we would send to each resident and notifications to the newspaper.

Ms. Drinkwater asked and it is not actually stating that they would have a special assessment or that they could possibly have a special assessment should there be a tax liability?

Mr. Walters responded it will show them the existing assessment, the amount on the lot, the annual assessments and under the refinancing scenario, it would show the reduced principal, the reduced annual debt service assessment and then it will have a paragraph explaining the issues of the taxable and bank qualified.

Ms. Little asked on the bottom of page four, where it talks about rate adjustments what is bp?

Mr. Sealy responded that is bank qualified status.

Ms. Little asked which means that our percentage if we went private would go 4.29% to 5%?

Mr. Sealy responded no. The rate that the bank is quoting if the bonds are tax exempt, which they would initially be issued on a tax exempt basis, would be a 3.57%. If the District decided to issue more than \$10M in this calendar year then the rate would

go to a 4.29%. The 5.3% is in the event that the bonds lose their tax exempt status. That is when there would then be a rate adjustment. As long as the bonds keep their tax exempt status, the rate the bank is providing and locking for 45 days is the 3.57% rate.

Mr. Williams asked so the 5.3% rate is the risk if there is an adverse tax ruling somewhere down the road?

Mr. Sealy responded that is correct.

Mr. Williams asked so even if there is a negative tax ruling, the worst rate we would pay is 1.05% lower than what we are paying today?

Mr. Sealy responded that is correct on a going forward basis. There is still the make whole.

Ms. Drinkwater stated I received a call from a homeowner, who would like to pay off their tax bond. What is the impact of this on that? Is there going to be any advantage for them to wait?

Mr. Walters responded there is going to be a slight tick down in the principal.

Mr. Sealy stated that is correct, although the reserve requirement would be less.

Mr. Walters stated at the end of the day it is not going to change what you pay off.

Mr. Oliver stated except for the cost of borrowing money to pay off that debt. It is one thing to pay it off at 6.35% and it is something else to pay it off at 3.57%.

Mr. Arnold asked can you clarify why the phase two bonds are not eligible for this?

Mr. Sealy responded those bonds were issued in 2006. Those bonds are call protected until 2015 or 2016. In order to refund those bonds today, the District would actually have to fund an escrow to pay principal and interest on the old bonds until that first date. It is called an advanced refunding. Because we are still pretty much paying the Federal Government for the benefit of lending it money today and in essence, treasury rates are so low that if we invested that escrow at a quarter of 1% but we are paying out interest at 5.50% or 6%, the cost of that would be counter economical to undertaking a refinancing.

Mr. Williams stated I think the risk is worth pursuing the private placement. I think the change of it happening is low. I would be willing to take that chance. My recommendation is that we pursue the private placement.

On MOTION by Mr. Williams seconded by Ms. Little with all in favor to Move Forward Seeking Refunding through Private Placement with BB&T was approved, subject to the commitment letter from BB&T.

Mr. Usina stated in regards to the issue of callability, given the interest environment that we in today it is not much of one but based on 10 years of a guaranteed rate versus having the refunding at any point, I realize that is part of the overall risk of going with one versus another but is that hard evaluate this point? Would callability be something that could be evaluated one way or another?

Mr. Sealy responded we certainly have been at a historic low in the interest rate cycle. With the expectation that rates are going to be going up I am not sure whether or not you have call protection, which you would on the public offering side for the bondholder versus no call protection for the bondholder in the case of the bank on the private placement side. I am not certain with rates this low what the potential for the refinancing will be for another 10 years until duration is sufficiently shortened to attract the bank to come in and look at doing it. There is some value to the bonds not being call protected, which is one of the benefits of the private placement scenario.

FIFTH ORDER OF BUSINESS

Consideration of Resolution 2013-07, Declaring Special Assessments

Mr. Walters stated based on the board's direction to pursue the private placement with the bank, the next two items are related to the assessment process. This is the same process you went through when you issued the new bonds back in 2003. There are two resolutions here. One is a declaring resolution. The second resolution simply sets the date of that hearing. Starting with the declaring resolution, this isn't committing you to anything. This is just saying that we are intending to do certain things and if certain things occur then we will adjust the assessments based on those occurrences. A big piece of what you would be approving with this resolution, is the assessment methodology. We have a methodology for this District. It was prepared back when we issued the original bonds. The methodology itself in terms of how it is allocated isn't going to change but I will let Jim Perry speak to that here in a second. Jim Perry is with

GMS. They are the ones preparing the supplemental assessment methodology report. All it does is lay out how the assessments are allocated for each product type. It shows the roll, which will have the decreased amount of the assessment attached. It will be tweaked afterwards.

Mr. Perry stated before you is a supplemental assessment methodology report. This really dovetails with what Brett said earlier. This is based upon a private placement. There is a lot of standard language in here. It talks about the bonds that were issued previously. What is important are the tables. It shows you the sources and uses in regards to this new issue. Starting out with the sources, you will get bond proceeds. You are going to liquidate revenue account and reserve account that are already in place. Below that, you will see to what will happen to those funds. We will refund and escrow the 2003 bonds. The debt service is going to be at 10%. We have some interest, cost to issuance and a writer's discount. This is based upon the private placement with BB&T. Those numbers are subject to change. There will be a final report that will update all of these numbers. Table three dovetails with the question earlier about what impact does this have in regards to paying off their assessments now versus later. It is about \$388 but the calculation also has to take into account a credit for the debt service reserve funds. You do have with this issue one lot that has been paid off already. Out of the 400, there are 399 that are really subject to this refinancing. Table four is the reduction in assessments, which is approximately \$241. This is reflective of what would be on the tax bill also. Table five shows for each of the lots the principal portions that have been paid from fiscal year 2005 forward. On the last few columns it will show the reduction in debt service and also the reduction in debt. This is just a preliminary draft based upon that. We will come back to the board with a final supplemental assessment methodology report. This is the basis for the debt service in regards to the annual tax roll that was submitted to St. Johns County.

Mr. Williams asked so we are basically reducing the principal because we are eliminating the reserve that is out there and we don't need as big of a reserve going forward?

Mr. Perry responded correct. There is a net reduction. You are refunding out of the proceeds plus the reserve.

Mr. Walters stated if you look through the whereas clauses, it is just a restitution of history here. It walks through how we got here and the previous bonds that were issued. It references the improvement plan/engineer’s report. That is the engineer’s report we adopted back in 2003 to show what we were funding and what we were constructing and how it would be dealt with. That is not going to change. You will see it references back to that report several times. That is the meat of how we are levying these assessments. It references the report because that is how it spells out how the numbers are and how it is allocated. Section three is the total cost of improvements. You will see that is a bigger number. Obviously a significant portion of that was funded by the Developer. That is the amount of total infrastructure that was provided by the District. We funded approximately \$5M of that. There is a blank in section four, which is the \$4.83M. It references back to the methodology report a few times. You will see in section nine it references the assessment roll. In section 10, it references the second resolution. Under 170, you have to declare the assessments and you have to adopt a resolution showing the time and place of that hearing.

On MOTION by Ms. Drinkwater seconded by Mr. Hill with all in favor Resolution 2013-07 Declaring Special Assessments was approved.

SIXTH ORDER OF BUSINESS

Consideration of Resolution 2013-08, Setting a Public Hearing

Mr. Walters stated Resolution 2013-08 sets the public hearing. There is a blank for the date. My understanding is staff has confirmed with all of the supervisors that March 18, 2013 at 6:00 p.m. is an available date for all of the supervisors, for staff and for this room.

On MOTION by Ms. Little seconded by Mr. Arnold with all in favor Resolution 2013-08 Setting a Public Hearing Regarding Series 2003 Bond Refunding for March 18, 2013 at 6:00 p.m. at Watson St. Johns Realty, 175 Hampton Point Drive, St. Augustine, Florida 32092 was approved.

Mr. Brett Sealy & Mr. Bob Gang left the meeting.

EIGHTH ORDER OF BUSINESS

Overview of Traffic Calming Program

Mr. Usina stated we would like to move this agenda item to the April agenda.

Mr. Williams stated I got some feedback from one of our County Commissioners on that. I haven't had a chance to look at it but I will share that with you.

NINTH ORDER OF BUSINESS

**Discussion of Potential Capital
Projects (Series 2003
Construction Fund)**

Mr. Williams stated we have excess funds from that initial bond placement. We have had a couple of discussions on whether we should use that for additional improvements within the community or whether we should return it back to the residents. I think we really need to come to some final decisions tonight on what we are going to do.

Mr. Walters stated this is a discussion that we have obviously had for a couple of years now. We have gone through some input seeking exercises. Two meetings ago we went through the project completion and we declared the projects completed. We reserved and set aside that money. Once we get to the March hearing, we will still have that opportunity between now and then to push some of those funds through. If we are going to do that, it would be optimal to do that in conjunction with the refunding. The second piece of that is that we have to do something with that money. We can't just have it sitting there. Bond counsel has some heartburn over this, as I can tell you that most bond counsels' would. He would rather see it identified for an assessable project. I told him that we have been working towards that.

Ms. Drinkwater stated I would like to be able to use some of the funds. I think that the refund back to the bond is minimal. It is not going to impact the homeowner that much. What it might impact is the future marketability of the community and having more improvements to the community.

Mr. Williams asked about how much do we have out there?

Mr. Oliver responded I think a good working number right now would be \$110,000. The balance sheet shows \$136,000 but there are some projects that are ongoing right now and there may be some close out costs.

Mr. Williams stated one item that we have talked about a lot was a new sign for Johns Creek. It would be leading in from the Publix entrance prior to the clubhouse. I

don't think it is possible because of the right-of-way that is there and where we would have to put it. I just don't think it is going to happen.

Mr. Arnold stated I have worked with the District Engineer to explore the possibility. I think the lack of District land to place an entrance feature on, where it would have the impact and value that the District residents would expect is not there. It is not economically feasible to run the utilities to it to make it work. As a Developer, I would not put an entrance feature in that location.

Ms. Drinkwater asked what was the plan on phase two with regard to another playground?

Mr. Arnold responded we have a playground facility at the new amenity center.

Ms. Drinkwater stated I would probably choose ranking three, four, five and six.

Mr. Hill asked did the ranking come from the results of the surveys?

Mr. Williams responded yes.

Ms. Drinkwater stated I would like to put that into perspective. How many responses did we get out of the 400 homes?

Mr. Oliver responded you had 84 responses, which represents 583 lots but of course, the Developer owned a lot of those lots and he did not participate in the survey. It was really a pretty strong response. We surveyed phase two also.

Mr. Hill stated that is roughly 25% participation.

Mr. Joe Taylor stated but that is phase one money.

Mr. Williams stated this is phase one money but at the end of the day it is going to be one community.

Mr. Oliver stated but whatever you choose to do will be built in phase one.

Mr. Williams asked so there are four items that account for about \$85,000?

Ms. Drinkwater responded yes.

Mr. Hill stated I think I would go with the top three items on the survey, which comes to \$107,000, which is pretty close to the amount that we have.

Mr. Williams asked do you mean the sign?

Mr. Hill responded no. I'm sorry. Take the sign off. It would be two, three and four.

Ms. Drinkwater stated but with number two, they already have an additional one going into phase two.

Mr. Williams stated my only concern about that multipurpose field is we have had so many issues with it from a drainage perspective. I am not saying it couldn't be overcome but we have put money into that before.

Ms. Little stated I liked three, four and five.

Mr. Williams stated I am going to open it up to the residents.

A resident stated I like the music at the pool.

Mr. Hill stated that is number 10.

Ms. Drinkwater stated and that is a minimal cost of \$5,000.

Ms. Little stated I think that is a great idea.

Mr. Williams stated my only concern for it is if we do it at phase one that it is not going to be at phase two.

A resident stated I also like number six.

Mr. Hill stated yes. That is a good idea.

Ms. Drinkwater stated the only reason I suggested that one is from personal experience. My grandchildren go there and they can't even touch the equipment in the summertime.

Mr. Hill asked does the shade structure cover the entire playground?

Mr. Oliver responded we can bring back different options.

Ms. Little asked where was the rebound wall going to be?

Mr. Williams responded there was talk about maybe in the field near the tennis courts.

Mr. Usina stated as the facility manager I get approached from time to time. The possibility of a fountain has been presented in that lake behind Publix. The possibility of the sign could be incorporated in the fountain to say Johns Creek. Another thought was rubber mulch instead of wood chip mulch in the playgrounds.

Mr. Oliver stated that is an O&M cost.

Mr. Usina stated with regard to music around the pool, phase two amenity center pool is going to have conduit installed for the potential for a sound system around the pool.

Mr. Hill asked is the decision to retain the funds or not retain the funds or which projects to pick?

Mr. Williams responded I would really like us to do both. If we want to retain the funds we can.

Mr. Walters stated these are 2003 funds. Quite frankly, there is an expectation that you spend public issued funds within certain timeframes because they don't want you to issue \$100M and then sit back and wait. There are investors, who are looking for security from those funds. We are at the end of that. We have installed all of our infrastructure, so we don't have a bondholder yelling at us but I think to Gary's point, the reality is that this has gone on way too long in terms of which projects to go forward with.

Mr. Hill stated I would suggest we do items three, four, five, six and 10, which brings it up to \$87,000. There would still be \$23,000 remaining and over the next month or two if there are any smaller projects that we want to entertain then that would be well worth it.

Mr. Walters stated we will get the proposals together and bring those back at a subsequent meeting and you can take action on them.

On MOTION by Mr. Hill seconded by Ms. Drinkwater with all in favor Moving Forward with Capital Project Items 3 (Jogging/Walking Path), 4 (Swings), 5 (Exercise Stations), 6 (Shade Structure), & 10 (Audio System) were approved.

TENTH ORDER OF BUSINESS

Update Regarding ADA Compliance (Recreational Facilities)

Mr. Oliver stated there are two things that remain to be done. One is a handrail to be installed at the swimming pool and Duda Pools is working on that now. The ADA consultant has revised his report indicating that the splash pool is technically infeasible to comply with ADA. He identified a means of access for children accompanied by an adult.

ELEVENTH ORDER OF BUSINESS

Discussion of Advanced Tree Care Reports

Mr. Usina stated these correspondence were directed to me. I was a part of the meetings with Dianne Drinkwater and Chuck Lippi but I know Dianne has spent more time in this area, so I would like to defer it to her.

Ms. Drinkwater stated about a year ago I had some concern over the oak trees on Natures Parkway. Some of them in the winter time were losing leaves. At that time, nothing was done at that point and time to have an arborist come in and take a look at them. Approximately six months after that, the County Arborist came to the site to try to assist with the placement of the trees along St. Johns on Johns Creek Parkway. They were taking a look at the location that was presented. She had concerns about that but she also made a comment to me with regard to the trees on Natures Parkway as she was coming in. Her recommendation was to look at those trees as quickly as possible with an arborist. She said you want to prevent future problems that Julington Creek had with their trees. Doing work now versus doing work 10 years from now, you will have a cost savings. With that said, Chuck Lippi was called. He is an arborist, who is well known in St. Johns County by the agricultural center with horticulturist there. He was called in to take a look at the trees. When he did so, he found that the trees were originally installed with their wire mesh and what is happening is that the roots are girdling the tree. It will eventually cause a failure of the tree and it could also cause the trees to come down because the root system is not well established. He only looked at a couple of trees. He didn't look at every single one. One of the problems also is you have mulch pushed up to the tree trunk, which is not good for issues with the trees and pests. He recommended that everything is pulled back on each one of those trees giving it ample room to breath. Also on the trees that have the problems with the root system, is to go in with a spade and extract the soil and to cut the specific roots that are girdling to allow an area to breath. You have read the report. That is the recommendation. My question is whether it is going to be needed on every tree. I think it would be determined as they start investigating each tree. He has looked at a couple of them. The trees down Natures Parkway can be tagged as some of the first trees for them to take a look at to try to save them. It is too bad that Greg Dunn is not here because I had a conversation with him about this, as well.

Mr. Williams stated one of the things I appreciate about you is that you are a master gardener, so you know this stuff. What is your recommendation?

Ms. Drinkwater responded my recommendation is to attack the problem on a case by case basis. We need to identify the problem with each tree that is losing leaves right now. It is causing stress due to the root system. The quotes that came in are

reasonable quotes based upon my knowledge in other communities. My suggestion is to save those trees.

Mr. Williams asked can I assume that the new oak trees that got planted were planted right?

Ms. Drinkwater responded that is in the next report. The answer to that is we went over and looked at those and the arborist found that these were container grown trees and the same girdling has occurred because at the time that they were planted some of the roots were not clipped as they should have been. They should have been clipped, so they were growing straight out rather than curving and causing a girdling motion.

Mr. Williams asked do they have the wire and the rope?

Ms. Drinkwater responded no. They don't have those issues. There is also a quote to do that.

Mr. Usina stated Austin has agreed to review the new plants at no charge and do the effort that is required to discover any girdled roots. Girdling is a circular growth pattern. When a root either girdles to the left or the right or down, they will cut it where it begins to turn, so the new growth will shoot straight out and that will give the tree balance. Austin is going to take care of the new saplings. I will manage that and make sure that happens.

Ms. Drinkwater asked have you talked to them about the current volcano mulch on Natures Parkway and trying to push that out and start improving the health?

Mr. Usina responded I can ask them for that.

Mr. Williams asked are we going to have the same issue in phase two?

Mr. Arnold asked did they look at the trees in phase two?

Ms. Drinkwater responded no.

Mr. Williams stated so we don't know. They could have been planted the same way.

Mr. Arnold stated we planted all of our large species trees in the District tracts to comply with the tree mitigation. It was done during the development phase.

Ms. Drinkwater asked was it Down to Earth?

Mr. Arnold responded I will check. I don't recall.

Ms. Drinkwater stated it wouldn't hurt to take a look at those.

Ms. Little stated that is disappointing to hear.

Mr. Williams stated I think that row of tree is our most stunning visual aspect in the entire community. I think for \$3,000 we should pay for the sins of the past and fix it.

Mr. Hill stated I agree.

Ms. Drinkwater asked do we want to go with Chuck Lippi or Austin?

Mr. Williams asked did Austin plant them?

Ms. Drinkwater responded no.

Mr. Williams asked do we have to get bids?

Mr. Oliver responded you are good. You have competitive proposals.

Mr. Williams asked would there be any potential issues with going with someone other than Austin?

Ms. Drinkwater responded I don't think there would be an issue. Quite frankly, I use Chuck Lippi on another property and his knowledge is extensive.

Mr. Usina stated this quote is based on three consecutive days of work on all of the trees. If we have them coming and going, it is going to change.

Mr. Williams stated my thought is to just bite the bullet and get it done. My only concern is are we going to run into the same issue in phase two.

Mr. Arnold stated I would like nothing more than to ease your concern. Those were mitigation trees as required by the County ordinance. There are specifications for installation and an inspection that occurs from St. Johns County. I would certainly hope that that level of specification means that the installation practices were different than what we are experiences now and the fact that some time had elapsed and the County had gotten more aware of better practices of installing trees. One of the reasons the District has a District Engineer is to assist in the supervision of these installations. I relied upon the District Engineer during the development phase, as well as the County. I don't know if these particular trees in phase one were mitigation trees. I think the likelihood is they were but I don't know because I didn't develop phase one. I know the trees in phase two are mitigation trees, so I hope that means we are in good shape.

Ms. Drinkwater stated I would like to see the issues with the trees on Natures Parkway resolved. We can always work on phase two.

On MOTION by Ms. Little seconded by Mr. Williams with all in favor the Proposal from Advance Tree Care to treat selected Trees on Natures Parkway was approved.

THIRTEENTH ORDER OF BUSINESS Other Business

Mr. Usina stated I went through the exercise of asking for three bids for the pool monitor contract for 2013. Elite Amenities, Riverside Management Services and Amenity Aquatics have submitted bids. I have passed out the bids. A comparison summary is also attached. I think it is worth noting that Elite Amenities has been our pool monitor since 2007. I think we felt it was time to see what the market had to say about the costs associated with this contract. These three companies have provided a proposal and a complete list of references. I have just received these proposals in the last 24 hours, so I have not had a chance to pursue references.

Mr. Oliver stated I just wanted to state for full disclosure that one of the companies, Riverside Management Services, is an affiliated company of GMS.

Mr. Williams stated clearly this expands by 100% because we are opening a second pool this. It is in the budget. It looks like the bids are all very close.

Mr. Usina stated included in these proposals would be spring break phase two amenity center. The pool furniture may not arrive by then. It is conceivable and more likely than not that the second amenity center will not be open during spring break.

Mr. Arnold asked and you are talking about March?

Mr. Usina responded the end of March to be specific.

Mr. Williams asked so phase two will not be open by spring break?

Mr. Usina responded that is correct, so these numbers will come down accordingly.

Ms. Drinkwater asked what is the feedback with the performance of Elite? Are there any issues that anyone can recall?

Mr. Williams responded my recollection over the years is anytime there has been an issue that we have gotten it resolved.

Ms. Drinkwater stated that is what I recall.

Ms. Angi Palmieri stated we have been happy to be a part of your community for the last five years. We have kind of made it through a couple of different management companies and several different facility managers. We have stayed the course and we

have gotten along with everyone. In particular, we are excited to stay this year because of your new facility and help you to ensure that stays safe and rules are followed. Our familiarity with the residents here will be a plus. We will be happy to work with Mike. I have been out here several times to meet him and visit your new facility. We would very much appreciate it if we could work with the board and residents this year. I have also included in your proposal something new for us this year, which is an extension that should you use Elite Amenities I have a discount for a two and three year contract. We have been here for five years. If you would consider a long term contract with us then it would end up saving the residents and board money.

Mr. Williams asked what is the difference in the contract price?

Ms. Angi Palmieri responded it is a 2% discount in 2014 and if you go for three years then it will be a 3% discount next year and a 3% discount the following year.

Mr. Williams asked what about this year?

Ms. Angi Palmieri responded I think we are a couple thousand dollars under budget this year. I am not sure how you came up with that budgeted amount for last year but I know you were kind of guessing because it was for the two pools. I tried to stay well under the amount.

Mr. Oliver stated compared to the other two proposals, you don't mention rain days and how the District is credited for those rain days. I did notice your contracted amount was \$14,000 for fiscal year 2012 and the total actual paid was \$13,996, which would indicate no rain days. Did you credit the District for rain days when your employees did not work?

Ms. Angi Palmieri responded I will have to look back and see.

Mr. Sal Palmieri stated the days that we did refund were the smoke days. I don't know if you recall last year but the smoke was really bad, so we had a long stretch of smoky days.

Ms. Angi Palmieri stated I do recall that last year and the prior year. I would have to look back and see. We deal with several CDDs and they do request that we request for rain days. If it was a situation, where Tracey sent someone home and let me know that she sent someone home then I would have credited that back.

Mr. Sal Palmieri stated it was the director's decision whether to send them home or not.

Ms. Angi Palmieri stated it is hard to let someone go home if they have an 11 a.m. to 7 p.m. shift at 3 p.m. because then all of a sudden at 5 p.m. the sun could come out and the pool is packed. Generally, we don't have a whole lot of rain days unless it is extremely bad weather and the facility manager makes the decision for them to go home.

Mr. Oliver stated I have looked at your invoices and I want you guys to take another look at them. I am just saying the budgeted amount was \$14,000 and the actual paid was \$13,996, which would indicate no rain or smoke days were credited.

Mr. Williams stated or an incredible coincidence.

Mr. Usina stated in my notes based on our meeting I was told that you would bill for actual hours. I clarified that with each bidder.

Ms. Angi Palmieri stated I will double check that.

Ms. Drinkwater asked what I understand you to say is if they were not sent home then they would not be credited back and that was up to the decision of the manager?

Ms. Angi Palmieri responded yes.

Mr. Oliver stated although we do know that at least there were some smoke days when employees didn't work and certainly some adverse weather days.

Ms. Danielle Simpson stated we do bill out for only hours worked. What we would request to do is to put a time clock in there. We do expect all of our hourly employees to clock in and out for lunch breaks and shifts. We have several CDDs that we work for that are in close proximity to Johns Creek. We are really close and in touch. If there are rain days or storms, they are monitored and notified of those the day before and the day of. Our aquatics director, supervisor or myself do the supervisor visits, which are done weekly. If there are issues then we take care of it immediately. We do monitor and review with them the patron activity, so if there are hours that the board would like to adjust or the amenity manager would feel necessary to adjust then we are flexible. Anything you guys want to do then we will do for you.

Mr. Williams asked are you aware of other District's that you support that Riverside covers?

Mr. Oliver responded of my Districts is Bartram Springs CDD, which is located on Race Track Road.

Mr. Williams asked any concerns or issues?

Mr. Oliver responded supervisors told me they are very impressed with them.

Mr. Williams stated I feel semi rushed to make this decision tonight because we just got these proposals. I appreciate you guys being here.

Mr. Oliver stated I think we can continue this meeting in conjunction with the public hearing that we are going to hold on March 18th. I still think it would give you guys time to staff up for spring break.

Mr. Williams asked when is spring break?

Ms. Angi Palmieri responded the 22nd.

Ms. Drinkwater asked when does the existing contract end with Elite?

Ms. Angi Palmieri responded it ended September 30th of last year.

Mr. Sal Palmieri stated we manage several communities on County Road 210 and we are a Red Cross provider as far as certifying staff. We can ramp up in a couple of days.

Mr. Williams stated I think we need to include this as a continuation item for our next meeting.

Mr. Hill stated I would like some testimonial feedback on the various potential providers.

Mr. Usina stated I will follow up with references.

Ms. Drinkwater stated the only thing that I would like to say for Elite is to think closely about the rain days and so forth.

Ms. Angi Palmieri stated that is no problem at all. I would be happy to do that. I will double check. We are very used to refunding for rain days or any reason we are sent home for.

TWELFTH ORDER OF BUSINESS

Update Regarding CR 210 Coalition

Ms. Drinkwater stated I am going to defer to Chuck on this.

Mr. Chuck Dicey stated the Alliance is planning the family night out on April 19th. It is going to be serving food and beverages with alcohol. There will be a live band. It is going to be on Natures Walk. The condos, where the office buildings are at, it is going to be set up in that area. My understanding is that Mike has talked to Larry and Dennis. Apparently, it is not on CDD property.

Mr. Usina stated a portion of it is. It is going to be on the corner of the lake adjacent to the very end of that strip of offices. It is right next to the insurance place.

The band will be set up in that corner. The idea would be that patrons would picnic style on the shoreline of the lake. The access to the food wagons is going to be on Brandy Creek CDD property. We own east of the sidewalk to the curb, so people are going to have to be in that area, receive their food and then cross the sidewalk. Once they step onto the west side of the sidewalk and the grass, they are on the other property. It is kind of a cooperative as it relates to the use of property.

Ms. Drinkwater stated I am a board member on the 210 Community Alliance and that is why I haven't been directly involved with the presentation of it. I have been out there one time. Mike has met with Larry. I met with Mike yesterday to clarify because I needed clarification of where the setup was going to be and asked Mike to take a look to see whether or not this strip of land was Brandy Creek CDD property. To be honest with you I am the one who really pushed the 210 Community Alliance to make sure that they presented it to this board because I had concerns with regard to the location.

Mr. Williams asked so I am assuming this other property owner has given their permission already?

Ms. Drinkwater responded yes.

Mr. Hill asked and this is foot traffic, correct?

Ms. Drinkwater responded yes.

Mr. Williams asked what kind of liability issues do we have here?

Mr. Walters responded I am not sure I understand completely what is going on.

Mr. Williams asked so I guess we own the strip of grass, where those beautiful oak trees are and they want to put food, where are beautiful oak trees are?

Ms. Drinkwater responded yes. It is my understanding that they are going to park the food trucks on the County street and the opening to that food truck is going to be facing the lake, so there would be foot traffic on Brandy Creek CDD.

Mr. Walters asked who is taking care of the food trucks?

Mr. Chuck Dicey responded people have been assigned those tasks. I don't have an answer if they have been confirmed yet.

Mr. Walters asked is the Alliance an organization with liability insurance?

Ms. Drinkwater responded yes.

Mr. Walters asked is it a not for profit?

Ms. Drinkwater responded it is going for not for profit status. It is with the IRS now. It is now a for profit because they haven't gained a not for profit status as of the last time I spoke with them.

Mr. Walters stated to the extent that we mitigate it with perhaps a license agreement allowing them to be there and requiring them to indemnify the District, requiring them to provide insurance, event insurance, liquor, post liability insurance, etc. Obviously this is a little awkward and out of our normal realm. This isn't a social activity just for our residents. This is kind of a lake bank sidewalk area. The risks are that someone gets food poisoning and someone blames us for that or someone falls into the lake and has to many drinks.

Mr. Williams stated but the lake is not ours.

Mr. Walters stated it is not ours but we have an easement draining into that lake. That is the cost share we see every year.

Ms. Little asked so can only people on County Road 210 attend?

Mr. Williams responded it is open to the public, so anyone can come.

Ms. Drinkwater stated the other thing that I recommended to them is that I am sure they are going to want some signage. The place I told them that they would probably want that signage would be at the Johns Creek entrance. I would think they would want to request permission to that from the Brandy Creek board.

Mr. Chuck Lippi stated it will be held on April 19th from 6 p.m. to 10 p.m.

Ms. Drinkwater asked do I have to recues myself from the vote because I am on two boards?

Mr. Walters asked are you compensated on the other board?

Ms. Drinkwater responded no.

Mr. Walters stated you do not have to. The reality is we can probably work with them to get proper documentation and bring this back at the March board meeting. If you want to authorize staff to approve the concept and authorize staff to document this up then we can do that and bring it back at the March meeting.

On MOTION by Mr. Hill seconded by Ms. Little with all in favor to Authorize Staff to Approve the Concept of a Family Night Out
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Event & Authorize Staff to Prepare Related Documentation was approved.

Mr. Arnold stated we are on schedule with phase two amenity center. The facility will be substantially complete by March 1st. I anticipate an April delivery to the District to open the facility and operate and maintain it. I have talked with staff about going ahead and working together to begin the checklists of paper. The board may want to consider something on the agenda for the March meeting for turning over the facility. All of the turf will be Bermuda. You will see it being installed next week. We have also been paying special attention to the weather to make sure we avoid a winter freeze. The landscape contractor is sensitive to that and is making sure that we do the best we can do with that. The pool facility is scheduled to get the crystal krete finish that went into phase one. We also went ahead and swapped out the specked traditional lighting and went with the LED lighting. You will see a lot of signs saying do not enter, warning, no trespassing, etc. We are stepping up our signage to really try to send the message that it is not quite ready to use yet.

Ms. Drinkwater stated I would like to walk it with Mike.

Mr. Usina stated sure.

Mr. Arnold stated I have asked the architect, Ervin Lovett & Miller, to propose a furniture layout plan and I have now provided that layout to District staff, so I can get some input. Also, we will combine the orders from our new furniture package with a reorder package for the existing facility, so we can get the economics of the bulk order. Three to five weeks is the lead time for the furniture. I would anticipate that furniture being installed and in place by the end of March for an April delivery.

Mr. Williams asked do we have current plans to replace some of the furniture at the existing pool?

Mr. Usina responded it is evolving but yes. Jim and I spoke a little bit about it today. I am going to inspect the furniture for what is in good shape and what is not.

Mr. Williams stated it is all in bad shape or it hasn't been cleaned.

Mr. Usina stated it is all of the above. You have some furniture that is certainly cleanable. You have other furniture that is not cleanable and needs to be re-strapped. You have other furniture that is bent and there is no re-bending aluminum tubing, so that

furniture would be replaced. You may also have a need for additional furniture at phase one. There are several different categories.

Mr. Williams asked do you have documentation for us to look at?

Mr. Usina responded not yet but you will.

Mr. Arnold stated whoever we decide to go with, it will be a joint effort. Once we get our specifications finalized and we get ready to place the order then we are going to try to leverage our order against phase one's needs.

Mr. Joe Taylor stated I commend the board and Charlie for going with the LED lighting. It makes a tremendous difference of what it was before.

A resident asked do we know how much the room to rent will be?

Mr. Williams responded we haven't talked about that. I would assume we would keep it the same as our current rental. Do you have a suggestion?

A resident responded to keep it the same.

Mr. Williams stated we need to look at that.

Mr. Arnold stated we certainly have rules and regulations for our existing facility but you have several new components in the new facility. One of the new components is a large mixed use room that is different than what you have in your current facility, so you might want to consider how you rent that and how you are going to use it.

Mr. Williams asked is this something we are going to work on in the next 30 days?

Mr. Oliver responded yes. We will need to update our policies and likely have a rate hearing to set the rates for the facilities.

Mr. Williams asked can we do that at the same meeting that we are doing the special assessment on?

Mr. Oliver responded we can certainly start the process.

Mr. Walters stated the turn over is a big component for this facility. This isn't a facility that we have built and we are now opening up. The Developer has constructed this facility and he has funded the entire construction of. It is being donated to the District at no cost but there is an acquisition process involved in that. Obviously, we have to get all of the plans, the work product, the warranties, the real estate and all of the fixtures. There is an acquisition package, which has a checklist of all of those things. We will start going through that as staff. Our hope is that at March we will be

substantially there. The reason March is important is obviously we want to open that facility. We don't want to wait for two meetings and have it closed. If we can get to a comfortable point and provide some authorization to the Chair to do the last minute punch list items then that way we can go ahead and finalize the acquisition.

Mr. Williams asked in phase two, how are the builders doing in terms of selling out?

Mr. Arnold responded there are about 75 home sites left to build on. Of all of the homes that are finished or under construction, I would say five or six are unsold. Lennar is on the new street and three or four of them are sold. I did speak to the preferred builders and they are expecting a very positive spring selling season. Lennar is talking about buying up the rest of the community. My goal is to sell out the home sites to the builders by the end of the year, so they can complete all of the building activity in 2014.

FOURTEENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer – Requisition Summary

1. Consideration of Requisitions

- a. Requisition No. 236, \$552.00 Payable to Hopping Green & Sams**
- b. Requisition No. 237, \$529.00 Payable to Hopping Green & Sams**
- c. Requisition No. 238, \$966.00 Payable to Hopping Green & Sams**
- d. Requisition No. 239, \$1,058.00 Payable to Hopping Green & Sams**
- e. Requisition No. 240, \$5991.70 Payable to Austin Outdoor**

Mr. Weeber stated included in your agenda package are five requisitions. Four requisitions are from Hopping Green & Sams and one is for Austin Outdoors, which is the oak tree installation.

Mr. Usina stated the work described by the requisition has been completed satisfactory.

Mr. Williams asked are the phase two lawyer bills in the right fund?

Mr. Walters responded they are. That is for the completion work that they brought back a few months ago. There are more than enough funds in the phase two account still to pay that.

On MOTION by Mr. Williams seconded by Ms. Little with all in favor Requisition Nos. 236, 237, 238, 239 & 240 were approved.

Mr. Weeber stated there is someone looking at this piece of property adjacent to this strip mall. It is not CDD owned. They would like to have some sort of small playground area back in this area and that is CDD land. It is encumbered by a conservation easement that was done in this project. He has asked to start investigating the process of if you would be interested at all in selling him that piece of land to him and then what it would take to move that conservation easement.

Ms. Drinkwater asked where is this?

Mr. Williams responded it is the building by Hurricane's. Our property is the gray area that goes out to 210 except where that little blue dot is.

Mr. Weeber stated the blue dot is where they are looking at to get from you guys. The orange area is not owned by the CDD.

Mr. Arnold asked if the residents are not opposed to what they are proposing to build there then I wonder if the gentlemen or whoever is proposing to do that would just bring an offer to the board?

Mr. Williams responded that is kind of where my head is at too. Maybe part of the question is do we want to do this little piece of land or do we want to just chop off an acre. I am guessing that a bunch of that is tied up with the conservation easement and that is why we left it that for the District.

Mr. Walters stated I am guessing the entire tract is a conservation easement. We don't have improvements in there that we would have funded with public funds, which if you dispose of that type of property, you have a real issue. The biggest issue here is going to be the conservation easement. If the offer was they would compensate us for the land and that they would cover all of the costs including any interactions with the St. Johns River Water Management District, my fees, ETMs fees then maybe it is feasible but I don't know where they are at. It seems like it is something to explore more.

Mr. Williams asked what kind of school are they trying to put there?

Mr. Weeber responded I am not sure. It is obviously a specialty one. I was trying to dissuade him but he seemed to think this was a perfect piece of property for what he was looking to do. He was asking for estimates and I was giving him very off cut numbers. I told him about all of the fees and I told him he was probably looking at \$200,000 and that didn't seem to sway him.

Mr. Williams stated my thought is to have him bring us an offer. It is not something that is going to be at any expense to us.

Mr. Walters stated it may be worth at least seeing where their heads are at. I can come back to the board at the next meeting.

Ms. Drinkwater asked what is the zoning on that?

Mr. Weeber responded I don't know yet.

C. Manager

Mr. Oliver stated the POA is going to have their annual casino night very soon. They do have the requisite insurance coverage but the board would need to approve the event to comply with our policies regarding the serving of alcohol on CDD property.

Mr. Williams asked do we know the schedule of events that the POA is going to do?

Mr. Joe Taylor responded not right now. The casino night is in two weeks on February 23rd.

On MOTION by Mr. Williams seconded by Ms. Little with all in favor the POA Casino Night Event was approved, subject to the appropriate insurance waivers.

D. Facilities Manager – Amenity Center and Operations Update

Mr. Usina stated both pools were successfully resurfaced. I can tell you firsthand that it was pretty impressive to watch it happen. To drain the pools, resurface the pools and reload the pools in a week was a lot of work. It was very professionally handled.

Mr. Williams asked is the job considered complete?

Mr. Usina responded it is not finished from the standpoint that we are now in what is called start up mode, which primarily has to do with chemical balancing of the water. Beyond that, there is some start up efforts related to brushing the new marsite

finish, where the quartz finish is revealed. The water level is where it needs to be. It is all about the chemical balance of the water. The splash pool water feature was dismantled to the point that it was completely renewed with two coats of epoxy paint. What parts and pieces we could remove and refinish were also done. We are also renewing a portion of the slide tube underneath. That will be reassembled by the close of business on Friday of this week. The two parts will be in, in two weeks and we will be able to add that. We will be ready to swim by the end of the month. We plan to have the pool open for spring break, which begins on the 22nd of March. I want to commend Charlie Arnold for finalizing the Lennar signage. Working with Austin we embellished those installs. We relocated one of them. They are irrigated, as well. We have also made a considerate effort to step up sheriff patrols throughout both phase one and phase two. For the month of February, we instituted Friday, Saturday and Sunday patrols.

Mr. Williams stated I want to add my thanks to Charlie on the landscaping, as well.

FIFTEENTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

Ms. Phyllis Linabury stated I would like to propose a swim team with St. Johns County Summer Swim League. It is just for the summer. I spoke with the president of the St. Johns County Summer Swim League. She looked over our pool with Mike. We don't have enough lanes in our pool. She said what we can do is if there is a swim team that would mentor us this year to show us how it all works then we could have a swim team in 2014 but have no swim meets at our pool. We would just have practice for residents. They were having a meeting last night to see if there was a community that would mentor us. I have not heard from her.

Mr. Williams asked so you are looking for permission to use the pool to support a swim team?

Ms. Linabury responded right. It runs from May 1st through the second week in July.

Mr. Williams asked is there a specific time that you would need the pool?

Ms. Linabury responded when school is in session it is between 4 p.m. and 7 p.m.

Mr. Williams asked so it would need to be dedicated for the team between 4 p.m. and 7 p.m. everyday?

Ms. Linabury responded four days a week in May. Then in June it would be before the pool opens. I think our pool opens at 10 a.m., so it would be before that. And this would just be in the phase two pool.

Mr. Williams stated so there is still a pool option available.

Ms. Linabury stated yes. It is run through St. Johns County, so all liability insurance is with them. It wouldn't cost us anything. You would actually get some money through the registrations. You have to be a league to get the insurance through St. Johns County.

Mr. Williams stated so the fee is for the league and not the insurance.

Ms. Linabury stated I think it would be great for the residents. I put it out on Facebook and 50 plus residents were interested. We don't need a specific amount of people to have a league. She said they had Marsh Landing and there was only 30 kids and it was still a league.

Mr. Williams stated so really the decision by the board comes down to use of the facility.

Ms. Little stated I am familiar with the swim team at St. Johns Golf & Country Club. It is a wonderful perk for the children, families and our entire community.

Ms. Linabury stated it is over at Bartram Springs community, also. I wanted to sign my son up and I would have to go to Bartram Springs, Julington Creek or Palencia, so I was wondering why not have it here.

Ms. Drinkwater stated I think it is a great idea.

Mr. Hill stated that is a fantastic idea.

Mr. Oliver asked did the league indicate for practices if there is additional equipment needed, such as lane lines, start blocks?

Ms. Linabury responded we would need some ropes. You could add that into the fee for the registration.

Mr. Oliver asked so that would be something that the swim league would purchase and maintain?

Ms. Linabury responded she said we would pay you back.

Mr. Williams stated what we need is an understanding of what you are looking for from the CDD. I don't think spending \$200 on some ropes is going to break us.

Ms. Linabury stated she also mentioned blocks. She said they use removable blocks at Heritage Landing.

Mr. Usina stated I toured Linda at the pool. Unfortunately beyond the pool being too short, it is not deep enough to support blocks. It is not deep enough to dive into the pool. If you are doing a 50 meter lap it is not deep enough to turn. These were some of the obstacles that Linda pointed out when she was here. Maybe we should have Linda make a presentation to us.

Ms. Linabury stated Linda also made a comment to me about having them start in the water instead of the blocks.

Mr. Williams stated I don't think the CDD needs to decide all of that. All we need to decide is if we want to let you use the pool and if there is some funding that we need to do as a community. The only thing I think is missing is what that funding looks like.

<p>On MOTION by Mr. Williams seconded by Mr. Hill with all in favor to Allow Johns Creek Swim Team to Practice at Phase 2 Pool was approved, subject to details of cost, insurance, etc.</p>
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Mr. Williams stated so you have the go ahead that the facility can be made available but I think what we need from you in the next month or two is more details on what that looks like with times, funding, etc.

A resident stated I would like to mention stop signs along Johns Creek Parkway for traffic calming.

Mr. Williams stated we are going to discuss that at the April meeting.

A resident stated we live in phase two. We want to talk about an issue we have in phase two. Right now we just have AT&T internet connection and it is very slow. We both work from home and it is not feasible to work from home.

Mr. Williams stated we have had this discussion probably every other month for the last year and a half as people move in. It is really going to be up to another provider if they want to come lay cable and go back in there. When the community was

developed, a cable for that was not part of the community. As I understand it there is one street in phase two that is able to hook up to Lifestream and other than that it is DSL through the AT&T line or you can go with Dish. I hear you but there is nothing we can do. I know that is not the answer that you want but we can't lay cable. I know that other people have tried to reach out to Comcast and have tried to reach out to AT&T and they are not willing to come lay the cable. I think the only way they would do it if they get some sort of firm commitment of the number of people that will sign up for it. If someone in the community on their own wants to initiate that and drive that, they can but the POA and the CDD cannot drive that.

Mr. Williams stated I think the more input/complaints AT&T gets from customers, the more they will consider making the investments offsite to upgrade the service.

Ms. Drinkwater asked where the Bellsouth trucks that were onsite doing any upgrades that you are aware of?

Mr. Usina responded yes but they wouldn't tell me what. It wasn't directly related to the internet but maybe in the future. Have you guys looked into Clearwire as an alternative with 4G service?

A resident responded I do have that but it cuts in and out. It is not as reliable as a cable provider. It is a cell phone connection, so it just drops.

Mr. Arnold stated I also have an AT&T contact that I will relay the feedback to.

Ms. Drinkwater asked, "Charlie, can you find out from your contact what we need to do as a community to get them to listen?"

Mr. Arnold responded my opinion is that it is a demand issue. As soon as the community is completed and built out, the offsite infrastructure should be completed with it. They analyzed how many homes were going to go in there and set it up to grow their offsite system as the community grows. When the housing market dropped dramatically, the utility providers got caught with a bunch of offsite expense out there. I think the problem will correct itself over time.

Ms. Drinkwater stated it is not good in phase one either.

A resident stated at least in phase one you have a choice. We don't have a choice in phase two.

Mr. Arnold stated at the time we were making the utility decision when we started the development of phase two, Litestream was having financial problems and they had a series of complaints from residents in phase one. Comcast was not an option because of the decision to put Litestream in phase one.

Ms. Drinkwater asked wasn't there an exclusivity agreement with Litestream?

Mr. Arnold responded yes. At the time that phase one was developed, the infrastructure coming down County Road 210 was limited, so in defense of the phase one Developer there were limited options for utility providers in the area. Litestream really focused on this corridor to get into the market.

Mr. Usina stated Johns Creek is not the only community suffering from this.

Ms. Drinkwater stated the 210 Community Alliance covers the 13 communities that are on this strip on County Road 210 and we hear it all the time in those meetings.

Mr. Arnold stated I will be happy to provide you with my contact at AT&T, who is a Senior Manager and he has the ability to make decisions.

Ms. Drinkwater stated that would be great.

Mr. Williams stated maybe we can contact him from the Alliance perspective and I can contact him from a CDD perspective. I am not going to pass that number out to the community but I think if I call as the Chair then that would be good.

Mr. Chuck Lippi stated at our last POA meeting it was discussed that there was no contact information on our website for phase two residents.

Mr. Usina stated Mike will update that information.

Mr. Arnold stated there is a report that we provide on a quarterly basis to the District for the bondholders. I have forwarded it to Jim and I asked him to forward it to the board supervisors, so you can see exactly how many homes that have sold.

SIXTEENTH ORDER OF BUSINESS

Financial Reports

A. Balance Sheet & Income Statement

Mr. Oliver stated included in your agenda package is the balance sheet and income statement.

B. Approval of Check Register

Mr. Oliver stated included in your agenda package is a check register.

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

C. Assessment Receipt Schedule

Mr. Oliver stated included in your agenda package is an assessment receipt schedule. The District is 94% collected.

SEVENTEENTH ORDER OF BUSINESS

Next Meeting – Wednesday, April 10, 2013 @ Watson St. Johns Realty at 6:00 p.m.

On MOTION by Ms. Drinkwater seconded by Mr. Williams with all in favor the Meeting was Continued to March 18, 2013 at 6:00 p.m. at Watson St. Johns Realty, 175 Hampton Point Drive, St. Augustine, Florida 32092 was approved.

EIGHTEENTH ORDER OF BUSINESS

Adjournment

Secretary / Assistant Secretary

Chairman / Vice Chairman