

**MINUTES OF MEETING
MOODY RIVER ESTATES
COMMUNITY DEVELOPMENT DISTRICT**

The Board of Supervisors of the Moody River Estates Community Development District held a Workshop on Thursday, May 10, 2018 at 4:00 p.m., in the Clubhouse at Moody River Estates, 3050 Moody River Blvd., North Fort Myers, Florida 33903.

Present and constituting a quorum were:

Elizabeth Keeler	Vice Chair
John Teckorius	Assistant Secretary
William Keeler	Assistant Secretary
Robert Geltner	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Cleo Adams	Assistant Regional Manager
Michael Eckert	District Counsel
Michelle Rigoni	Hopping Green & Sams, P.A.

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

Mr. Adams called the meeting to order at 4:00 p.m. Supervisors Geltner, Teckorius, William J. Keeler and Elizabeth Keeler were present in person. Supervisor Mayer was not present at roll call.

SECOND ORDER OF BUSINESS

Discussion: Assessment Methodology

Mr. Eckert stated that the workshop arose as a result of a few Board Members requesting more information relating to the history of the debt assessment and how the original debt assessment levels were set. The debt assessments are paid to the CDD annually and the CDD transmits payment to the Bond Trustee who pays the Bondholders that purchased the bonds. Referencing slides, he stated that the debt assessment is the sole topic of today's presentation. The fundamental purpose of the Moody River Estates CDD is to fund, operate and maintain public infrastructure within the Moody River Estates community. The Engineer's Report includes the items that the CDD utilizes bond monies to fund, such as water, sewer, stormwater management, landscaping and berm repair. The public infrastructure funded by the CDD is set

forth in the District's Report of Consulting Engineer, dated September 2004. The Capital Improvement Plan (CIP) only relates to what the CDD funds, including stormwater management facilities and water and sewer facilities, which were conveyed to the local utility provider, and landscape, signage and hardscape outside of the gates. The District funds the CIP through the sale of the bonds and, in 2005, bonds were sold to acquire or build the infrastructure. The bonds were sold to institutional investors, through the Underwriter and the Bondholders receive payments from the CDD, for the next 30 years. The process is that the District levies a special assessment, landowners pay the assessment to the District, the District pays the Trustee and the Trustee pays the Bondholders.

In response to a Board Member's question regarding the number of bond issuances, Mr. Eckert replied that there were two; one in 2005 and another in 2017. Mr. Adams stated that the bonds issued were A1 and A2. Mr. Eckert stated that, in order to sell bonds, the District must levy assessments on the developable lands within the District. The Developers have been paying assessments since the time that the District levied them and sold the bond. Using the Master Assessment Methodology Report, the assessments are based on the anticipated bond issuance at that time. The total of the CIP was approximately \$13 million but assessments of \$16 million were levied because that was the actual cost with the inclusion of the debt service reserve, Underwriter fees, etc.

Mr. Eckert stated that the five residential product types identified in the Master Assessment Methodology are Estate, Signature, Carriage, Coach and Multi-family. An Equivalent Residential Unit (ERU) factor is assigned to each product type by the Assessment Methodology Consultant. The ERU factor is a rough estimation of the relationship of the benefit that one type of lot receives compared to another. The ERU factor is tied to the components of infrastructure in the CIP, those being stormwater, water and sewer and landscaping and signage. Based on those factors the Methodology Consultant devised the following ERU factors for each unit type:

- Estate: 1.6
- Signature: 1.3
- Carriage: .89
- Coach: 1
- Multi-family: .79

In response to a question, Mr. Eckert stated that the difference between the Estate and Signature product types is that they are different categories. The Methodology Consultant in 2005 would have found that the Signature product received less benefit than the Estate product and, generally, the larger the square footage and lot, the higher the residential connection assumption. Discussion ensued regarding the different product types. In response to a question, Mr. Eckert stated that the Multi-family product type triggers the easement, under the Methodology. The entire CIP cost is financed and allocated to an individual product type based on the number of ERUs. The Estate homes, with the higher ERUs, were assigned the highest principal debt assessment and, as the ERUs go down, so does the amount of principal that was initially assigned when the Methodology was prepared. After Staff deduced the number of ERUs assigned for a maximum debt service assessment based on a fully financed CIP, the Developer asked the District not to issue bonds for the entire CIP. The Developer planned to complete some of it, with the District completing some and, as a result of the Developer making that commitment, the Developer received assessment credits to apply to whatever property they wanted, throughout the community, effectively buying down the levels that were on the last lot. Many Developers do this based on, usually the first purchasers usually have a lower assessment payment or the District can fully fund it and everybody pays equal but that was not the case here. Those units have a lower assessment level than they would otherwise.

Mr. Eckert stated that the Master Methodology demonstrates how the assessments were allocated, which is the main issue of concern for Board Members. The question is, how an Estate in the center has a different assessment than an Estate in the south or north. The assessment credit process was how the different assessment levels were derived. In 2005, when the bond issuance occurred, there was a Supplemental Assessment Methodology and, while the Master Methodology had the anticipated bond issuance figures, the Supplemental Methodology reflected the terms of the actual bond issuance. The Master Methodology must still be applied but the Supplemental Methodology ties to the very specific terms of the bond issuance, which was \$10,710,000 for the first bond issue. The 2017 bond issue was to refund the 2005 bonds. In the process of the new bond issuance, the 2005 bond was paid off and the District got a better interest rate and a reduction in principal. The 2005 Supplemental Methodology allocated the debt service certified reflection to repay the 2005 bonds; this Master Assessment lien is reflected in the Master Methodology and it is the actual bond assessment that came from that, which

reflects that Estate north and Estate south units have a higher bond assessment than the Estate center units because the assessment credits were applied to the Estate center units.

The Supplemental Methodology must be consistent with the Master Methodology, which it is. It takes into account that the credits and the amount certified for collection in the 2005 Supplemental Methodology, on a per unit basis, after the assessment credits were applied. There were a few updates in the Methodology, in terms of capitalized interest, Debt Service Reserve, etc. When the real estate market crashed, there were several litigations related to the Moody East parcels. The District was not involved in the HOA litigation but was involved in separate litigation because the CDD was saved by the Moody East parcel owners. Essentially, when the original CIP was completed, it was anticipated that some work would be done on the Moody East parcels and, in 2007 to 2008, that property owner refused to allow the CDD onto the property and filed suit against the District. Because it was impossible for the CDD to complete the portion of the CIP that would be on the Moody East property, it had to revert to the Methodology and deduce the benefits from the improvements that were already constructed. All the Engineer could confirm was that there was a wastewater line/major trunk main with a benefit of \$200,000. The Board reverted to the assessment re-allocation process and reallocated some of the assessments. There was also a one-time catch-up for all units not in Moody East, which was an assessment prepaid with the acknowledgment it was for the Moody East parcels. This was the remaining bond principal payment on each unit in 2009 and, based on the 2009 re-allocation, that became the assessment amount moving forward. With the bonds, once the Master Assessment lien is levied, if a lot is developed, developable or unplatted land that will be developed, all owners pay assessments from the onset. In 2017, the CDD refinanced its bonds, resulting in lower debt assessments without the bond terms being extended. The total amount owed was lowered but the maturity date remained the same. The 2017 bond restructuring was a great benefit to the community.

Mr. Eckert stated, not only were the bonds refinanced, but the annual payments and the bond principal owed on individual lots were lowered. For example, Estate Center owners who opted to pay off their bonds went from owing \$10,419 to \$9,868, which encapsulates the reduction in principal received through the bond refinancing. A Board Member stated that residents who want to can pay off the bond assessment now and save interest; Mr. Adams would provide contact information for a bond assessment payoff but the operation and maintenance (O&M) assessments would continue. O&M assessments would be on the tax bills until the CDD

ceases existence, which cannot happen until the bonds are paid off and the CDD no longer owns anything or has any maintenance or contractual responsibilities. It is to the benefit of the community for the CDD to add a stormwater management system. One of the reasons is that a CDD has limited liability under Florida law. In a traditional community where the lake is owned by the HOA, if an accident happens with the lake, the HOA has insurance and HOA fees from residents to draw from. Conversely, if the CDD owns a lake, then the CDD's liability is statutorily limited. The limits are \$200,000 per person, \$300,000 per incident and a \$1 million insurance policy. Having the CDD own a stormwater management facility provides protection for the community.

Mr. Geltner asked if there was any documentation that shows how the Developer allocated the \$3.5 million in assessment credits. Mr. Eckert replied yes and called attention to Exhibit 2, in the Master Methodology. A Board Member asked what the 2017 interest rate was. Mr. Adams stated that it was 4½% but the coupon rises over time. It is currently at 3½% but, later in the amortization, it increases to 5%. As the interest rate increases every five years or so, the principal being paid is greater. Mr. Eckert welcomed the Board to contact him if there were any further questions or concerns regarding the debt assessment and Mr. Adams would post the PowerPoint presentation on the CDD website. Every detail used to compose the presentation is a public record and can be easily accessed.

THIRD ORDER OF BUSINESS

Adjournment

There being no further business to discuss, the workshop adjourned at 4:32 p.m.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]


Secretary/Assistant Secretary


Chair/Vice Chair