

Minutes of Meeting
Tolomato
Community Development District

A special meeting of the Board of Supervisors of the Tolomato Community Development District was held Tuesday June 11, 2019 at 3:00 p.m. in the Nocatee Amenity Center, 245 Nocatee Center Way, Ponte Vedra, Florida

Present and constituting a quorum were:

Richard T. Ray	Chairman
William Fitzgerald	Vice Chairman
Jon Morris	Supervisor

Also present were:

Jim Perry	District Manager
Katie Buchanan	District Counsel
Scott Wild	District Engineer
Lee Hovis	Tolomoto
David Ray	GMS, LLC
Maurice Rudolph	Parc Group
Ken Artin	Bryant Miller Olive
Ed Bulleit	MBS Capital Markets
Sete Zare	MBS Capital Markets
12 Residents	

The following is a summary of the actions taken at the June 11, 2019 meeting. A copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS

Roll Call

Mr. Perry called the meeting to order at 3:00 p.m. and called the roll.

SECOND ORDER OF BUSINESS

Affidavit of Publication

A copy of the affidavit of publication of the notice of meeting was included in the agenda packages.

THIRD ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

FOURTH ORDER OF BUSINESS

Bond Related Items

Ms. Buchanan stated we have undertaken a refunding of certain series of the district's bonds at a lower interest rate to achieve two goals, one is a reduction in the annual assessment payments paid by residents within certain communities and the second is the procurement of additional capital funds to continue the district's capital improvement plan. In order to do this first we established the project and that is something the district's engineer can speak to and then using that project and the information provided to us by the underwriter we have prepared an assessment methodology report that explains how the assessments will be allocated to the residents that were provided notice. Once we have an update on the reports, I will walk you through the assessment resolution that is included in your agenda package. This is the document that essentially modifies the lien on the property within the district. We would adopt a revised maximum lien for the property with the understanding that amount will likely be adjusted downward slightly or adjusted to match the actual amount of bonds that are issued. It can't be more than what we adopt today. Once we go through the assessment process you have the opportunity at that time to take public comment and then you can decide whether based on the information that staff has provided to you and the public has provided if you want to adjust anything you see in the methodology report. Once we move forward and conclude that part of the agenda we will have Mr. Artin go through the bond resolutions and give you the details on how that works.

Public Hearing to Consider Imposition of Special Assessments and Adoption of Assessment Role

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor the public hearing was opened.
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A. Presentation of 2019 Supplemental Engineer's Report

Mr. Wild reviewed the supplemental engineer's report dated June 11, 2019 and detailed the Series 2019 Project that includes the spray park, Crosswater Park, other amenities, enhancements and refurbishments and transportation improvements.

Ms. Buchanan stated to summarize we are essentially taking \$16 million that we anticipate receiving from bond proceeds and reinvesting them in the district's amenity program and transportation network.

Mr. Ray stated to put this in perspective for the residents, this is our 17th year of managing the district and we have done this multiple times. This district was created in Nocatee in 2004 and the purpose of the district is to design, finance, build and maintain infrastructure. There is an improvement plan to put in the master infrastructure for Nocatee, which is 25 square miles of land and the master infrastructure is all the things that benefit everybody and some of the things you can see such as the water park, 20 Mile Park, roads, stormwater ponds, landscaping and all of that is the master infrastructure. The estimate of what it was going to cost for all the master infrastructure was \$500 million. The district issued \$300 million in bonds and the rest is coming from the developer. The third way to finance this is through refinancing. The district can refund and refinance bonds because the district is the borrower of this money. They take the proceeds of bond issuances and use that to build infrastructure so your district is actually the borrower. Residents have assessments on their property that are fixed for some period of time until those bonds are repaid. What the district is doing right now is taking advantage of lower interest rates. We are able to take old bonds that we have issued at 6.7% refinance them at much lower rates and take the differential and use that to finance remaining master infrastructure for the benefit of the district. We did a refunding and refinancing in 2018 and you do it by neighborhood and we refinanced that over finished neighborhoods. In 2019 there are maybe 4,000 households that are part of these bond issues that are being refinanced and there is going to be more in the future. If interest rates stay low we expect to refinance more if interest rates rise and there is no financial benefit we won't be able to do this again. We wanted to make sure that your assessments didn't change, that nothing was happening that would raise your assessment. We also wanted to make sure that the term of the bond was not changed. If the bonds were issued in 2006 and they were 30-year bonds to be repaid in 2036, which means no one in that bond series would no longer have a debt payment after 2036 we wanted to make sure that held true. The new bonds are being issued but they are not 30-year bonds, the new bonds have a 2036 termination just like the existing bonds. We wanted to take some of the savings and pass it along to residents in the form of lower assessments. Everybody in last year's bond refunding got a 4% reduction in their assessments and

everybody in the 2019 series will get a 4% reduction so the term of the bond does not change and the actual assessment will be 4% lower than it was previously.

Mr. Buchanan stated what Scott did was describe the project because by law we need to understand what we intend to spend our money on. For the record I want Scott to answer two questions. In your professional experience do you think the cost estimates in your engineer's reports are reasonable and proper?

Mr. Wild responded yes.

Ms. Buchanan asked are you aware of any reason the district can't carry out the project as described?

Mr. Wild responded no.

Ms. Buchanan stated based on Scott's description of the project and the chairman's background I think it is appropriate next to understand how we are going to apply the bond proceeds. Mr. Perry, the district manager and financial consultant has put together an assessment methodology report that he will walk through and explain what the changes are.

A. Presentation of Supplemental Assessment Report, Series 2019A, 2019B and Series 2019C Bonds

Mr. Perry stated the report has a narrative that describes the original bonds and the bonds that are utilized to refinance the original bonds. We are taking the Series 2006 that will be applicable to the 2019A-1s, the Series 2007-1 Bonds will be the 2019Bs along with the 2007A-1s and there is a series 2012A-3s, which will be the 2019 C Bonds. Related to all those as previously stated we have gone through and analyzed the benefit based upon the capital improvement plan and development plan of the district to establish a benefit on a per unit basis to make sure that there is still a benefit in excess of what we are financing for each of the properties. We go through and analyze the development program, each of the bonds and with that we come up with a cost savings in regard to the assessments that were previously discussed of about 4% across the board for each of properties. In addition, there will be an increase in the debt on a per unit basis for each of the properties, however, as stated we are not extending the term of these bonds. If you were in the 2006 series of 30-year bonds your term would expire in 2036. Your public notice was reflective of the increase in the principal amount that would be attributable to your property with this refinancing and also describe the benefit to you for the reduction in assessments.

The report goes through various tables, those tables start with the development program that is in place, an analysis of each of the bonds and Tables 8 – 10 are the pertinent ones for most residents and depending on what development you live in and the size lot it quantifies the impact of the increase in the debt for your lot and also the decrease in annual assessments for each of your properties.

Ms. Buchanan stated the notice that was sent was specific to your property.

Mr. Perry stated that is correct. The letter reflects what we are proposing today but as mentioned those numbers might change slightly downward but there is no increase in those numbers.

Ms. Buchanan stated I have a couple questions to ask Jim. Understand that in order for special assessments like the district imposes to be valid under Florida Law there have to be two criteria that is met. One is that the land subject to the special assessments has to receive a benefit from the improvements, which is secures and the second is that the special assessments have to be reasonably apportioned. As Scott described the projects and Jim expressed his opinion that the improvements do benefit the property and then were reasonably apportioned because we are reducing everyone equitably at the 4%. In your opinion do the lands subject to the assessments receive special benefit?

Mr. Perry stated they do and consistent with prior bond issues.

Ms. Buchanan asked do you believe they are reasonably apportioned?

Mr. Perry responded they are.

Ms. Buchanan asked do you think it is reasonable, proper and just to assess the cost of the project against the lands in accordance with your methodology?

Mr. Perry responded yes.

Ms. Buchanan asked do you believe the benefits land receives will be equal to or in excess of the maximum special assessment as allocated in the report?

Mr. Perry responded they are in excess. We went through that exercise and that is included in the report.

Ms. Buchanan asked do you believe it is in the best interests of the district for the maximum special assessments be paid and collected in accordance with the methodology?

Mr. Perry responded yes.

Ms. Buchanan stated at this time we have identified the project, we discussed what the bond proceeds will be, how they will be used and we also explained how the bonds will be secured and how those assessments are allocated among the property. Unless you have any questions it would be appropriate to open it up for public comment and then once we are concluded with public comment you as the board decide whether you want to alter the assessment report or move forward.

Mr. Perry stated we would ask that if you have any questions or comments that you state your name and address for the record.

Mr. Wolfe asked is this a lien against the property? If we were to sell the property we would have to satisfy that lien before the house is sold or is it passed on to the new buyer?

Ms. Buchanan stated it gets passed on to the new buyer. It stays with the land.

Mr. Sparks stated the increased amount of funds is because of the fixed assessment.

Ms. Buchanan stated your assessment is comprised of two components, one is the principal you pay and one is the interest rate. Since the interest rate is going down we are increasing the principal to keep you at that reduced assessment rate on an annual basis and we are using that increased principal to reinvest funds in the community.

Mr. Van Dickle stated when you talked about the improvements in the community and the individual developments, do they not benefit from this change?

Ms. Buchanan stated generally in a master community like this you have two components of improvements, one, is the master improvements like the major thoroughfares, the amenities that are open to everyone, the stormwater system then you have neighborhood improvements that are your neighborhood roads, neighborhood landscaping, monuments and things like that. The money that the district has only goes towards the master improvements that benefit everyone, they are not neighborhood specific improvements.

Mr. Ray stated that doesn't matter if it is a secured neighborhood like Coastal Oaks or a neighborhood that doesn't have a gate. Whatever happens in the neighborhood happens there, whatever happens at this level are the things that benefit everyone.

Ms. Russo asked given the 4% decrease we are seeing is there an option of the refinancing to reduce that further? How was that decision made?

Mr. Ray stated that decision was made at the board level. That is going back to the beginning of the purpose of the CDD is to finance, construct and maintain infrastructure. To be able to build the infrastructure that we have this is part of it, which is one of the things we can do

to generate capital to continue to put infrastructure in the ground. This was one of the advantages of doing that was take advantage of lower interest rates to generate more capital to be able to put it in the master infrastructure going forward. Absent that the district does not have funds available for continued improvements.

Ms. Russo stated the refinancing put additional funds in the coffers.

Mr. Ray stated yes.

Ms. Russo asked has that not been the case we would have been stuck in the interest rates, how would those funds be generated?

Mr. Ray stated we would have found that out at the time. The developer has from the very beginning of this community has always stepped up to make sure that this was built according to its original vision. Having said that there was always a plan in place from the beginning for the district to do its part to be able to issue bond and particularly when you are issuing bonds at 6.7% you know that a time is going to come in the future when you are going to be able to refinance those to an investment grade bond. What nobody knew at the time was how much that was going to be. It was never going to be all or none, but was it going to be a refinance from 6.7% to 4.7% we just didn't know. Everything is working out according to plan.

Ms. Russo asked is there any consideration given for another bond issue to put on more debt that would impact my property?

Ms. Buchanan stated the board has the authority to do that, I don't think there is a plan to do that. Before that could happen just like you got the letter in the mail saying this was going to happen, you would have another letter and another opportunity to come and register your opinion.

Mr. Ray stated your board has the authority to do that and that is why it is very important to know as you go through your elections to be very careful and understand what is happening at that point in time because that is some of the authority the board does have. As long as I am sitting on this board that won't happen in my vote, but I am also only one vote. There is no plan and was never from the beginning of time to issue any more bonds on the individual property than the original bonds that were issued or refunding, that first 30 years period.

Ms. Kessler asked what are the out of pocket costs associated with this refunding the underwriter's fees?

Mr. Ray stated the underwriter's fees are lower than they have been in the past because of the volume of work the underwriters have done for us over time. There are multiple issues of

bonds, institutional rated bonds, non-rated bonds and rated bonds that are being issued right now. The underwriting fee for the non-rated bonds is 1 ½% of the par value and the underwriting fee for all the rated insured bonds is 1%.

Ms. Buchanan stated just because Jim and I work with multiple districts and have experience and seeing these rates frequently, the chairman is correct, that is below market rate as to what is typically assessed to a bond deal.

Now that you have had an opportunity to hear public comment, as an equalization board do you want to take any action to adjust the assessment methodology?

Mr. Ray stated no.

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor the public hearing was closed.

1. Consideration of Resolution 2019-08 Levying Special Assessments to Secure Series 2019A, 2019B and Series 2019C Bonds

Ms. Buchanan stated this is the resolution that authorizes the refinancing of the district's bonds and sets forth the terms of the refinancing as well as equalizing, approving, confirming special assessments on the property. The whereas clauses go through the history of the district identifying the prior issuances and explaining our justification for undertaking the refinancing now. We have authorized bonds in an amount not to exceed \$106,075,000. Section 1 provides the authority of the board to adopt the resolution, section 2 makes certain findings as to the district's previous actions relating to the assessments, section 3 authorizes the 2019 project as described in the engineer's report, section 4 confirms the estimated costs of the project and those costs will be paid by the special assessments. Section 5 equalizes, approves, confirms and levies the special assessments on the parcels benefited by the project and directs district staff to update the district's improvement lien book. Section 6 confirms the maximum assessment lien for the series 2019A-1 and 2, series 2019B and series 2019C assessments and section 7 provides the process of payment for the series 2019 assessments. Section 8 deals with the method of allocating the special assessments and notes they are going to be allocated in accordance with the assessment methodology report and section 9 describes the collection process. As normal assessments collected on platted lots will be collected via the uniform method on the tax roll and assessments on unplatted land will be directly collected by the district. Section 10 is standard as well and just

notes the property owned by units of government aren't subject to the district's assessments and in the instances that land will be dedicated to the district those assessment will need to be paid off. Section 11 notifies the district manager to update the lien book and 12 requires the assessment notice to be recorded so that it shows up on title searches. Sections 13 – 15 are administrative in nature. Exhibits A and B are the engineer's reports and the methodology reports.

On MOTION by Mr. Ray seconded by Mr. Morris with all in favor Resolution 2019-08 was approved.

B. Consideration of Resolution 2019-09 Delegated Award Resolution, Series 2019A Bonds

Ms. Buchanan stated next we should open the floor to Ken Artin, the district's bond counsel and let him walk through the bond resolutions that he has prepared and are also included in the agenda package.

Mr. Artin stated you have three resolutions and the general description that I will go through will affect the 2019A bonds and it will be substantially similar for the B bonds and the C bonds.

As the chairman mentioned earlier in the meeting there are three separate resolutions because there are three different types of bonds being issued, the first series are rated and insured, they do have a subordinate series in addition to the senior bonds 2019A. The 2019Bs are a single series of bonds and they are insured, they are rated and the final series the 2019C bonds are the unrated special assessment bonds and basically given the separate security and structure for each series they are basically broken out in three separate authorizations.

Your resolution is the corporate action necessary to actually authorize the various bond documents that are necessary to sell and deliver the bonds. Each resolution starts out with several whereas clauses describing the history as you have gone through already. The primary provisions in the resolution begin in section 1, which is the authorization to issue the particular series of bonds. In this case the 2019A bonds have a limit of \$62,670,000, the purpose of the bonds is to refund the outstanding refunded bonds with respect to the respective series. Payment of the cost of issuance, fund the debt service reserve account deposit and as applicable pay for the bond insurance policy or the debt service reserve surety policy and pay for the cost of the infrastructure improvements that were described by the district's engineer. Section 2 authorizes various

members of the board to sign each of the documents at the closing and sections 3, 4, and 5 deal with the authorization to issue these bonds under your master indenture, which as the chairman mentioned we have been doing this since 2006. The bonds will be sold through a negotiated sale to MBS Capital, you are being authorized to enter into a bond purchase agreement with MBS Capital that bond purchase agreement if brought to you and meets the parameters set forth in section 6(2), it can't exceed the maximum par amount of the bonds that is being authorized, has to be sold at an interest rate that generates at a minimum 4% annual debt service reduction in special assessments, sold at a price not in excess of the 98 ½% discount that was mentioned and provides for optional redemption of these bonds just like each of the prior series no later than a ten year call date and doesn't extend the maturity date of the bonds longer than the bonds being refunded. The balance of the authorization include authorizing the preliminary official statement, that document is used by the investors to decide whether to make an investment in the district's bonds, continuing disclosure agreement basically is your obligation to provide the market with continuing annual financial information letting the investors know on an annual basis how the district is doing and collecting special assessments and other information provided to them in the preliminary official statement. The balance is administrative in nature and that is the meat of the resolution.

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor Resolution 2019-09 was approved.

C. Consideration of Resolution 2019-10 Delegated Award Resolution, Series 2019B Bonds

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor Resolution 2019-10 was approved.

D. Consideration of Resolution 2019-11 Delegated Award Resolution Series 2019C Bonds

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor Resolution 2019-11 was approved.

Ms. Buchanan stated we anticipate sending the offering statements to the printer immediately then at that point Sete can work her magic and hopefully, we can end up with anticipated pricing.

Mr. Ray asked when would you price?

Ms. Zare stated June 20th.

Mr. Ray stated we are susceptible to market changes between now and June 20th.

Ms. Zare stated right. We have a marketing week then closing probably June 28 and pre-close a day or two before that.

Ms. Buchanan stated that is what is next as far as the bonds go. At the next meeting since we will have pricing on the bonds we will adopt a final assessment methodology that incorporates the actual amount of bonds that we issued. It will not be higher than what we previously noted. We need to work out when our next meeting is.

Mr. Artin stated we can pre-close on the 26th or 27th then close on the 28th.

Ms. Buchanan stated we can make either day work.

Mr. Perry stated if we can have it later in the day would be better.

Mr. Ray stated we have a regular scheduled meeting on the 25th. We can just change it to the next day. We will plan on Wednesday, June 26, 2019 at 4:00 p.m.

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor the regularly scheduled meeting of June 25th was canceled and a meeting was scheduled for June 26, 2019 at 4:00 p.m. in the same location.

FIFTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

1. Requisition Summary

Mr. Wild presented the requisition summary.

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor the requisition summary in the amount of \$5,045.71 was approved.

C. Manager

There being none, the next item followed.

D. Community Manager Report

There being none, the next item followed.

SIXTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

There being none, the next item followed.


EIGHTH ORDER OF BUSINESS

Next Schedule Regular Meeting – June 26, 2019 at 4:00 p.m. at the Nocatee Amenity Center

Mr. Perry stated our next scheduled meeting that was June 25th has been canceled and moved to June 26th at 4:00 p.m. in the same location.

On MOTION by Mr. Ray seconded by Mr. Fitzgerald with all in favor the meeting adjourned at 3:53 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman