

**MINUTES OF MEETING
VERANDAH EAST
COMMUNITY DEVELOPMENT DISTRICT**

A Public Hearing and Regular Meeting of the Verandah East Community Development District's Board of Supervisors were held on **Wednesday, September 14, 2016 at 1:00 p.m.**, at the **Verandah Sales Office, 11571 Verandah Blvd., Ft. Myers, Florida 33905.**

Present and constituting a quorum were:

Paul Martin	Chair
Harvey (JR) Congdon II	Assistant Secretary
Steve Benson	Assistant Secretary
David Langhout	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Cleo Crismond	Assistant Regional Manager
Alyssa Willson-Cameron	Hopping Green & Sams
Dave Robson	District Engineer
Tony Grau (<i>via telephone</i>)	Grau & Associates
Steve Sanford (<i>via telephone</i>)	Greenberg Traurig, LLP
Alice Carlson	AJC Associates, Inc.
William Buchanan	Resident

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

Mr. Adams called the meeting to order at 1:03 p.m., and noted, for the record, that Supervisors Martin, Benson, Congdon and Langhout were present, in person. Supervisor Harvey was not present.

SECOND ORDER OF BUSINESS

Public Comments [3 minutes per person]

There being no public comments, the next item followed.

THIRD ORDER OF BUSINESS

Presentation of Audited Financial Report for Fiscal Year Ended September 30, 2015, Prepared by Grau & Associates

Mr. Tony Grau, of Grau & Associates, presented the Audited Financial Report for Fiscal Year 2015. On Pages 1 and 2, the “Independent Auditor’s Report” reflected a clean opinion with respect to the financial statements of the District. On Page 4, the total “Net Position - ending” was a positive \$2,051,720. On Page 8, the “Statement of Activities” reflected “Changes in Net Position” of approximately \$177,000. On Page 18, “NOTE 5 – CAPITAL ASSETS” reflected additions to the capital assets in Fiscal Year 2015. On Page 19, “NOTE 7 – LONG TERM LIABILITIES” showed that long term debt was paid down by \$470,000. On Pages 23 through 27, the “Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters”, the “Independent Auditor’s Report on Compliance with the Requirements of Section 218.415, Florida Statutes, Required by Rule 10.556(10)” and the “Management Letter Pursuant to the Rules of the Auditor General” reflected no findings.

FOURTH ORDER OF BUSINESS

Consideration of Resolution 2016-3, Accepting the Audited Financial Report for the Fiscal Year Ended September 30, 2015

Mr. Adams presented Consideration of Resolution 2016-3 for the Board’s consideration.

On MOTION by Mr. Langhout and seconded by Mr. Martin, with all in favor, Resolution 2016-3, Accepting the Audited Financial Report for the Fiscal Year Ended September 30, 2015, was adopted.

FIFTH ORDER OF BUSINESS

Consideration of FMSbonds, Inc., Agreement for Underwriter Services and G-17 Disclosure

Mr. Adams stated the District was moving towards refinancing the Series 2006 Bonds. The refinancing would provide additional funds for the construction and acquisition of improvements intended to be acquired by the District. The process would begin with the agreement with FMSbonds, Inc. (FMS) to serve as underwriter. The scope of services was to coordinate the bond issue process and review and prepare documents. Under “Section 2”, the fee would be 2% for any non-rated par amount of bonds issued. The fee would not be payable unless the bonds closed. For the record, the G-17 Disclosure indicated that FMS would serve as

underwriter and not as the financial advisor or municipal advisor; it was important that this be stipulated in the form of a written agreement. The representative would be Mr. John Kessler, of FMSbonds, Inc.

On MOTION by Mr. Martin and seconded by Mr. Langhout , with all in favor, the FMSbonds, Inc., Agreement for Underwriter Services and G-17 Disclosure, was approved.

SIXTH ORDER OF BUSINESS

Presentation/Consideration of Certain Documents Related to the Refinancing of the Series 2016 Bonds *(to be provided under separate cover)*

Mr. Adams stated that the Series 2006 would be refinanced. The interest savings would provide additional dollars to a construction fund for future acquisition and acceptance of community infrastructure, which was always contemplated to come to the District in a future phase, and would do so without increasing assessments against property owners. The amount was approximately \$2 million. The term was the same and assessments would not increase on any of the property owners or any of the product types. The first step was the preparation of a Supplemental Engineer's Report, which identified the project, going forward, and that the 2016 bonds would be refinancing and funding additional dollars for the construction and acquisition of certain infrastructure within that area. Mr. Robson, with Johnson Engineering, prepared the Supplemental Engineer's Report.

- **Consideration of Draft Supplemental Engineer's Report**

******This item was an addition to the agenda.******

Mr. Robson presented the draft Supplemental Engineer's Report. Page 1 provided a background, to put the context of the project into perspective. The exhibits reflect the location of the project. Figure 2 was the overall and, subject to future revisions, the District boundary map, with type of lots, units, roads and, unlikely, the lake and preserve areas, which were completed and would not be changed at all. Roadways were unlikely, although minor changes in undeveloped parcels would be possible. The purpose of the scope was to define the 2016 project. Page 5 outlined the project boundary, which was the top third of the District, where no residential units were constructed.

Mr. Martin noted two parcels where residential units were constructed; Torrey Pines and Willow Bend had lots on them, below the Florida Power & Light (FPL) line, and there were residential units in those areas. Mr. Robson stated that the Torrey Pines infrastructure was included in the cost analysis. Mr. Martin stated that Torrey Pines and Willow Bend were turned over to Lee County Utilities. Mr. Robson clarified that Willow Bend was not included; only Torrey Pines, and he would modify the project map. Mr. Adams stated the modification would be needed post haste for the advertising notice. Mr. Robson stated that everything in the cost table was within the boundary; Torrey Pines would be removed. The costs included water management, utilities, and perimeter landscaping. With regard to the perimeter landscaping, the Developer would contribute the wall, which is over 10,000 lineal feet, and was not included in the cost table. The water management segment consists of lake interconnects. The lakes are there but, since there was no impervious surface that the residential units and roadways comprise, it was not critical to have piping in place, at this point. Piping would come as construction proceeds. Today's unit cost was applied to the planned lineal feet of different size pipe, which was the \$400,000, for water management. Utilities would be revised because Torrey Pines was included. The remaining perimeter landscaping was basically trees and shrubs and is a transferrable item. Based on field measurements, counts, and current unit prices, the estimate was \$350,000. Technical fees may be slightly over budget, depending on permitting but, since the Development Order probably needs to be changed, the amount might not be far off; that is typically 15%, when looking at future costs. Mr. Martin noted extensive change in product types. Mr. Robson stated the current total was \$2.7 million; \$200,000 was for potable and sanitary, for Torrey Pines; it might be \$250,000 but it would lower the amount to \$2.5 million.

Mr. Sanford noted that the cost of the wall was not included in the report and thought it was necessary, not because the wall was being financed but because a value should be placed on it to make it a Developer contribution. Mr. Adams stated that, on Page 7, \$2.5 million was the discussion. Ms. Willson stated that the wall was included in the narrative; she discussed this with Mr. Johnson and the wall could be included in the cost table or not, depending on whether Mr. Sanford had a strong preference. Mr. Sanford asked if the wall had a value in the narrative. Mr. Robson replied affirmatively; on the bottom of Page 7, the value was \$1.1 million. There was almost 11,000 lineal feet and, at this point, he would consider a conservative replacement cost of \$100 per foot. Using a 15% formula for professional fees and permits, if any of the

improvements were already built and in the ground, Mr. Sanford asked why the 15% would be measured against something that was already in the ground. Mr. Robson stated that, currently, only the lake system was in the ground; the master stormwater system, and parts of that do not have the lake interconnect, so almost \$400,000 of reinforced concrete pipe would be needed to complete that system. This would not necessarily include permitting because that was in the original stormwater permit, which would be shown in any Development Order revisions as being piping that is installed. With regard to utilities, with the product changes, there is a typical cost of service for each of those types of bottle units. The number of units and the costs were generated against typical costs. Willow Ridge was just completed and those costs were applied. Mr. Martin stated that five parcels would most likely require modified or renewed Development Orders.

Mr. Langhout stated that, if revisions to Table 3 were made, he would encourage the \$2.7 million total to remain, even after the Torrey Pines utilities were removed, if that means adding a portion of the perimeter wall as a development contribution reimbursement. If the bond refinancing could net \$2.7 million, he did not want an Engineer's Report that reflected \$2.5 million of reimbursable costs. Mr. Martin thought that the bond refinance amount was \$2.4 million, not \$2.7 million.

In response to a question from Mr. Martin, Mr. Robson stated that permitting was the driving force behind the estimated completion date. Mr. Martin estimated a completion date of 2022. The perimeter landscaping was already done and installed and that should be 2016; everything else was 2022.

Ms. Willson noted that this was a draft Engineer's Report; it was not an assessment levy hearing, which would take place next month. She asked Mr. Robson to confirm that, in his professional opinion, the infrastructure improvements were reasonable and in the scope of Chapter 190, Florida Statutes. Mr. Robson responded yes, they are. Ms. Willson advised that it was not necessary to adopt the Engineer's Report or the Assessment Methodology Report by motion, right now, because a Resolution would be considered later and those reports would be attached as exhibits.

Mr. Adams stated the next document for consideration was the Preliminary Second Supplemental Assessment Methodology Report. The report took into consideration the original bond issue, Series 2006, the refinancing and the 2016 project, recognized the hard costs that Mr.

Robson discussed, the cost of issuance, reserve requirements and any changes in product type and allocation from the original supplemental. Ms. Alice Carlson, of AJC Associates, Inc., (AJC) prepared this report.

▪ **Consideration of Preliminary Second Supplemental Assessment Methodology Report**

******This item was an addition to the agenda.******

Ms. Carlson and Mr. Sanford worked on this report and incorporated most of the changes. As Mr. Adams indicated, this is the next supplemental methodology, which takes into consideration the proposed refinancing. With the refinancing, at a lower interest rate, it was anticipated to generate approximately \$2 million for construction of the balance of the Master Development Plan. The assessments benefit all the properties within Verandah East. The annual debt service would remain the same but, with the lower interest rate and an increase of funds, the par amount of the bonds would increase and the par amount for individual property owners would increase, on a pro-rata basis; based on today's amount, it would be equal pro rata for every piece of property, including the unplatted property the Developer currently owns. In the first set of schedules, the top portion showed that the current outstanding balance of the bonds was \$18,350,000 and broke it out by current neighborhoods and the current units that are either in place or forecasted, at this time, the current outstanding balance per unit and the annual assessment per-unit. The Developer was proposing to make three changes to the unplatted property within the Veranda East CDD and the three neighborhoods of Heritage Preserve, Magnolia Point and Edgewater Trace would be changed from a Villa 60, Townhouse and Coach to all Villa 50 products. When this is done, the unit count would change; Heritage Preserve would go up, Magnolia Point and Edgewater Trace would go down and the per unit would change. The second half of the schedule would show that a true-up payment was being anticipated, by the Developer, of approximately \$485,000, in order to make these changes, going forward, prior to the refinancing of the bonds. The true-up payment could be made in cash or with a capital contribution from the Developer's construction. It was anticipated that this would occur prior to the refinancing. When this was taken into consideration, on a larger schedule, it showed the current assessment when three product changes were made. The outstanding balance reduces by \$485,000 and the debt service would reduce proportionately, per product type. In the large table, the increase in par was reflected, using the amount of \$20,515,000, based on preliminary information from FMS. This was probably the maximum for notification. Based on

the interest rate obtained, the annual debt service must remain the same. The annual debt service is the debt service for principal and interest that would be paid on the bonds and then a 4% gross up is added, which is the discount back to all the property owners who take advantage of paying their taxes by November 30. The actual bond sizing would determine how much could be done, based on the best interest rate that can be obtained, keeping the debt service the same as what it is before the 4% gross up and that would determine what the par is going to be and it will be allocated at the end. 15% was on the high side and was more than the \$2 million being discussed. As required, there was a list of all of the property owners within the Verandah East CDD, showing the current annual debt service and the outstanding par per lot, platted. The first five were very large numbers; they were the unplatted parcels and were billed off roll so some that had 0's were because the District was direct billing the Developer. The lien roll was levied to the County and would be placed on the real estate tax bill on November 1.

Mr. Martin asked how property owners would be affected if the debt was paid off in full. Ms. Carlson stated there would be no assessment. One resident paid in full, to date, and would not have any additional debt, only those that have current standing debt on their property. Ms. Willson stated that the Public Hearing would be noticed and included language notifying residents of their right to pay off the remainder of their debt before the date of the Public Hearing. Ms. Carlson stated this becomes a little fluid if property owners prepay so that their par does not increase; then the number would be adjusted, up until the last day.

Based on the information provided today, Ms. Willson asked if the calculations provided to the Board were reasonable, customary, and appropriate for the Board to rely on, in Ms. Carlson's professional opinion. Ms. Carlson replied "yes they are". Ms. Willson asked if, just based on what was known today, in looking at the improvement plan, do the improvements provide a special and peculiar benefit to the lands within the Districts and do the benefits from those improvements exceed the burden of any proposed assessments or debts the Board may consider allocating to the properties. Ms. Carlson replied "Yes, they provide a benefit". Ms. Willson asked if the benefit exceeded the burden. Ms. Carlson replied affirmatively.

- **Consideration of Resolution 2016-7, Declaring Special Assessments to Secure its Anticipated Special Assessment Revenue Refunding and Improvement Bonds, Series 2016; Indicating the Location, Nature and Estimated Cost of Those Improvements Whose Cost is to be Defrayed by the Special Assessments; Providing the Portion of the Estimated Cost of the Improvements to be Defrayed by the Special Assessments; Providing the Manner in Which Such Special Assessments**

Shall be Made; Providing When Such Special Assessments Shall be Paid; Designating Lands Upon Which the Special Assessments Shall be Levied; Providing for an Assessment Plat; Adopting a Preliminary Assessment Roll; Providing for Publication of this Resolution

****This item was an addition to the agenda.****

Mr. Adams presented Resolution 2016-7 for the Board’s consideration. The resolution declared the special assessments and the Engineer’s Report and the Assessment Methodology Report, which were exhibits to the resolution, were in substantial form.

Ms. Willson stated the resolution was in fairly standard form. It stated that the assessment process was starting, the District was declaring that assessments would be imposed for these projects, how much the assessments would defray in debt, how they would be apportioned, as detailed in the methodology, and it provides for keeping records on file for the public to inspect. Assessments would be collected for the remainder of the 30 years so they would not exceed beyond the 30 years initially contemplated. The Resolution authorizes Staff to provide various notices by mail and published in the Lee County newspaper.

On MOTION by Mr. Martin and seconded by Mr. Langhout , with all in favor, Resolution 2016-7, Declaring Special Assessments to Secure its Anticipated Special Assessment Revenue Refunding and Improvement Bonds, Series 2016; Indicating the Location, Nature and Estimated Cost of Those Improvements Whose Cost is to be Defrayed by the Special Assessments; Providing the Portion of the Estimated Cost of the Improvements to be Defrayed by the Special Assessments; Providing the Manner in Which Such Special Assessments Shall be Made; Providing When Such Special Assessments Shall be Paid; Designating Lands Upon Which the Special Assessments Shall be Levied; Providing for an Assessment Plat; Adopting a Preliminary Assessment Roll; Providing for Publication of this Resolution, was adopted.

- **Consideration of Resolution 2016-8, Setting a Public Hearing to be Held on October 19, 2016, at 2:00 P.M., at the Verandah Sales Office, 11571 Verandah Blvd., Ft. Myers, Florida 33905, for the Purpose of Hearing Public Comment on Imposing Special Assessments on Certain Property Within the District Generally Described as the Verandah East Community Development District in Accordance with Chapters 170, 190 and 197, Florida Statutes.**

****This item was an addition to the agenda.****

Mr. Adams presented Resolution 2016-8 for the Board's consideration. Prior to considering the Resolution, a date for the Public Hearing must be identified. Mr. Adams asked to move the October meeting from October 12 to Wednesday, October 19, 2016 at 2:00 p.m., at this location. This date and time would be inserted on Page 2 of the Resolution.

On MOTION by Mr. Martin and seconded by Mr. Benson, with all in favor, Resolution 2016-8, Setting a Public Hearing to be Held on October 19, 2016, at 2:00 P.M., at the Verandah Sales Office, 11571 Verandah Blvd., Ft. Myers, Florida 33905, for the Purpose of Hearing Public Comment on Imposing Special Assessments on Certain Property Within the District Generally Described as the Verandah East Community Development District in Accordance with Chapters 170, 190 and 197, Florida Statutes, was adopted.

- **Acquisition Agreement (Special Assessment Revenue Refunding and Improvement Bonds, Series 2016)**

****This item was an addition to the agenda.****

Mr. Adams presented an Acquisition Agreement for the Board's consideration.

Ms. Willson stated that the Agreement was in fairly standard form and had been used with other projects. The Agreement provided that the District and the Developer would work in good faith and best efforts to undertake and complete the acquisition process for the 2016 improvements, including any work product and improvements. Also included was language allowing the CDD to assign contracts. Upon issuance of the 2016 bonds, the District would make payment for any acquired infrastructure or work product. It also recognized the contemplated developer true-up payment, in the form of a contribution of infrastructure, in Section 7. Once finalized, the Engineer's Report would be attached as "Exhibit A", which would describe the 2016 project improvements.

On MOTION by Mr. Benson and seconded by Mr. Martin, with all in favor, the Acquisition Agreement (Special Assessment Revenue Refunding and Improvement Bonds, Series 2016), was approved.

SEVENTH ORDER OF BUSINESS**Public Hearing to Hear Comments and Objections on Adoption of Fiscal Year 2016/2017 Budget****A. Proof of Publication**

Mr. Adams presented the affidavit of publication advertising today's Regular Meeting and Budget Public Hearing.

B. Consideration of Resolution 2016-4, Relating to the Annual Appropriations and Adopting the Budget for the Fiscal Year Beginning October 1, 2016, and Ending September 30, 2017

Mr. Adams stated Resolution 2016-4 for the Board's consideration. The budget was shared with Verandah West. There were no significant changes to the budget since the last time it was presented. There was a slight reduction on the O&M assessments, for the upcoming year, as the use of fund balance was removed and, as a result, assessments were reduced. There were no changes to the "Debt Service" but that would be adjusted as the bond refinancing was finalized. As indicated, as part of that process, there would be no changes to the assessment levels so the dollars would flow into the newly created bond estate for the Series 2016 bond. For the record, Verandah West adopted the budget with no changes.

*****Mr. Adams opened the Public Hearing.*****

There were no public comments.

*****Mr. Adams closed the Public Hearing.*****

Mr. Martin asked if the budget in the schedules took into consideration the possible potential changes to be made in some of the parcels. Mr. Adams indicated that it did not matter.

On MOTION by Mr. Martin and seconded by Mr. Langhout , with all in favor, Resolution 2016-4, Relating to the Annual Appropriations and Adopting the Budget for the Fiscal Year Beginning October 1, 2016, and Ending September 30, 2017, was adopted.

EIGHTH ORDER OF BUSINESS

Consideration of Resolution 2016-5, Making a Determination of Benefit; Imposing Special Assessments; Providing for the Collection and Enforcement of Special Assessments, Including But Not Limited to Penalties and Interest Thereon; Certifying an Assessment Roll; Providing for Amendments to the Assessment Roll

Mr. Adams presented Resolution 2016-5 for the Board’s consideration. The assessment levying resolution took into consideration the adopted budget, the appropriation levels and the out flowing assessment levels, directed Staff to finalize a lien roll and transmit the resolution to the Tax Collector, with “Exhibit A”, which was the budget, and “Exhibit B”, which was the final lien roll, for the placement of assessments on the November property tax bills. It also set forth a collection schedule for off-roll assessments, which was consistent with what was done in prior years.

On MOTION by Mr. Martin and seconded by Mr. Benson, with all in favor, Resolution 2016-5, Making a Determination of Benefit; Imposing Special Assessments; Providing for the Collection and Enforcement of Special Assessments, Including But Not Limited to Penalties and Interest Thereon; Certifying an Assessment Roll; Providing for Amendments to the Assessment Roll, was adopted.

NINTH ORDER OF BUSINESS

Consideration of Resolution 2016-6, Adopting the Annual Meeting Schedule for Fiscal Year 2016/2017

Mr. Adams made a correction to the Annual Meeting Schedule for Fiscal Year 2016/2017. The October meeting would be changed to October 19, 2016 at 2:00 p.m. There would be a separate advertisement for that meeting because it is a Public Hearing but this resolution would more accurately reflect the Annual Meeting Schedule for the upcoming year. As additional meetings were needed or if there was no business to consider, meetings could be cancelled or added and properly noticed.

On MOTION by Mr. Langhout and seconded by Mr. Martin, with all in favor, Resolution 2016-6, Adopting the Annual Meeting Schedule for Fiscal Year 2016/2017, as amended, was adopted.

TENTH ORDER OF BUSINESS

Update: Qualified Candidates for November 8, 2016 General Election

- A. Seat 3: No Qualified Candidates**
- B. Seat 5: No Qualified Candidates**

Mr. Adams stated this is a general election year and this District triggered both requirements to begin transitioning to general elected seats. There was a qualifying period, in June, and Seats 3 and Seat 5 were up for general election; however, no one qualified for those seats. At the meeting following the election, in November, the Board would declare vacancies in the two seats and consider appointments to fill the unexpired terms at that time. Seats 3 and 5 were currently held by Mr. Benson and Mr. Harvey.

ELEVENTH ORDER OF BUSINESS

Notice of Landowners' Meeting: November 9, 2016 [Seat 4]

- A. Sample Landowners' Meeting Instruction**
- B. Sample Landowner Proxy**
- C. Sample Landowner Ballot**

Mr. Adams stated the Fiscal Year 2017 Annual Meeting Schedule had November 9, 2016 as the landowners' election. The third seat up for election this year is the final landowner elected seat, which is Seat 4, currently held by Mr. Congdon. Interested landowners may cast a vote for that seat and consider making nominations and file ballots for the nominees. The Board will tally the votes and, at the following meeting, the Board will be asked to consider canvassing and certifying the results of the election and seat the person who is elected. Landowners may cast one vote per unit or per acre, or fraction thereof. The only requirements are to be a citizen of the United States and the State of Florida.

TWELFTH ORDER OF BUSINESS

Acceptance of Unaudited Financial Statements as of July 31, 2016

Mr. Adams presented the Unaudited Financial Statements as of July 31, 2016. “Special Assessment: on-roll” collections were at 104% and “Special assessment: off-roll” collections were at 81%. “Revenues” were at 89% and “Expenditures” were at 79%.

THIRTEENTH ORDER OF BUSINESS Approval of May 11, 2016 Regular Meeting Minutes

Mr. Adams presented the May 11, 2016 Regular Meeting Minutes and asked for any additions, corrections, or deletions.

On MOTION by Mr. Benson and seconded by Mr. Martin, with all in favor, the May 11, 2016 Regular Meeting Minutes, as presented, were approved.

FOURTEENTH ORDER OF BUSINESS Other Business

There being no other business, the next item followed.

FIFTEENTH ORDER OF BUSINESS Staff Reports

A. District Counsel

There being no report, the next item followed.

B. District Engineer

There being no report, the next item followed.

C. District Manager

There being no report, the next item followed.

SIXTEENTH ORDER OF BUSINESS Supervisors’ Requests

There being no Supervisors’ requests, the next item followed.

SEVENTEENTH ORDER OF BUSINESS Adjournment

Mr. Adams asked to continue the meeting to Wednesday, September 28, 2016 at 2:00 p.m. The anticipation was that the assessment noticing and advertising process would have

begun and the Board would consider a Delegation Resolution, for the completion of the Assessment Public Hearing on October 19, 2016.

On MOTION by Mr. Martin and seconded by Mr. Benson, with all in favor, the meeting recessed at 1:25 p.m. and as continued to September 28, 2016 at 2:00 p.m., at this location.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]


Secretary/Assistant Secretary


Chair/Vice Chair