MINUTES OF MEETING
OTC COMMUNITY DEVELOPMENT DISTRICT

A regular meeting of the Board of Supervisors of the OTC Community Development District was held Wednesday, July 13, 2016 at 10:30 a.m. at the Offices of England-Thims & Miller, 14775 Old St. Augustine Road, Jacksonville, Florida 32258.

Present were:

Sue Harker	Chairperson
Michelle Pierce	Vice Chair
Meredith Hoffman	Supervisor
Jessica Bednarski	Supervisor

Also present were:

Jim Perry	District Manager
Sarah Warren	District Counsel (by phone)
Brett Sealy	MBS Capital Markets, LLC

FIRST ORDER OF BUSINESS **Roll Call**

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

SECOND ORDER OF BUSINESS **Audience Comments**

There were no members of the public in attendance.

THIRD ORDER OF BUSINESS **Affidavit of Publication**

Mr. Perry stated included in your agenda package is an affidavit of publication for todays meeting.

FOURTH ORDER OF BUSINESS **Organizational Matters**

A. Acceptance of Resignation Letter from Frank Militello

Mr. Perry stated included in your agenda package is a resignation letter from Frank Militello.

On MOTION by Ms. Harker seconded by Ms. Pierce with all in favor the Resignation Letter from Mr. Frank Militello was accepted with regrets.

B. Appointment of New Supervisors to Fill Unexpired Terms of Office (11/2017 & 11/2019)

Mr. Perry asked are there any nominations to fill the two open seats?

On MOTION by Ms. Harker seconded by Ms. Hoffman with all in favor to Appoint Ms. Jessica Bednarski to Fill Mr. Militello's Seat was approved.

C. Oath of Office for Appointed Supervisor

Mr. Perry administered an oath of office to Ms. Jessica Bednarski.

Mr. Perry presented Ms. Bednarski with the appropriate new board member information.

D. Resolution 2016-06, Election of Officers

Mr. Perry stated we would ask that you appoint Ms. Bednarski as an Assistant Secretary.

On MOTION by Ms. Harker seconded by Ms. Pierce with all in favor Resolution 2016-06 Election of Officers was approved.

FIFTH ORDER OF BUSINESS **Discussion on Refinancing of Series 2007A Special Assessment Bonds**

Mr. Perry stated we have provided you with a copy of an agreement with MBS Capital Markets, LLC to be your underwriters.

Mr. Brett Sealy stated in order for us to maintain what is known as an underwriter's exemption, before we come to a board and give them advice, we have to get engaged. We have a standard investment banking agreement that we ask boards to enter into with us. It has an automatic termination provision without notice and cause. What you have been provided under separate cover is a standard investment banking agreement. It provides for no compensation for engaging us and immediate termination following our presentation, to the extent that you do not want to keep us engaged.

Mr. Sealy stated my firm is an investment banking firm that specializes solely in Community Development District financing. My partners and I have been doing this for over 20 years. We have underwritten over $20M in tax-exempt bonds for Florida Districts.

On MOTION by Ms. Harker seconded by Ms. Hoffman with all in favor the Agreement with MBS Capital Markets, LLC Agreement to provide Underwriter Services was approved.

Mr. Sealy stated my firm had served as the original underwriter to OTC, as well as **to** the Double Branch CDD and Middle Village CDD. We don't get paid unless we deliver. We would look at different opportunities, including a limited public offering, which is the way the bonds were originally issued. An offering document was prepared and mailed to a number of institutional investors. The investor base here has certainly grown as a result of the fact that this project started as dirt and now 97% of the assessments are levied on vertical properties. That opens up the spectrum of buyers that we would typically mail to, as opposed to when we have a raw piece of dirt. In addition to that, there are a number of banks that we have been doing direct bank private placements with. If you turn to page four, the bonds were originally issued at 5.3% interest rate and in a principal amount of $9,770,000. At the time the bonds were issued and given the primarily undeveloped state of project and concentration of ownership, there was no ability for us to go out and obtain an investment grade rating from one of the rating agencies, which would have driven the rate down even further, so the bonds were issued on a nonrated basis. They were sold to a handful of institutions. The bonds are currently outstanding in the principal amount of $8,190,000. They are callable on May 1, 2017. All municipal bonds have call features to them, whereby the bonds are not able to be refunded with a new series of bonds until a certain period of time has passed. It is a standard 10 year call provision that was involved in these particular bonds. The only way you can complete it prior to that date is what is called an advanced refunding. What that requires is actually funding a new series of bonds. Money will sit in an escrow. It will pay principal and interest on the old bonds until that May 1, 2017 date. In essence, you end up paying interest on two series of bonds but it allows you to refund your bonds in advance of that first call date. The other option would be to wait until the May 1, 2017 call date. You would be subject to interest rate risk but then you don't have that negative arbitrage in that escrow. Based upon the tax roll that we reviewed, the expectation is that the project will be developed into about 780,000 square feet of retail square footage. On page five is a few key credit dynamics. Typically, we would be looking at credit dynamics in a context of putting a package together to go to one of the rating agencies but in this particular case as a result of the fact that you have a concentration of ownership of about 40% in one entity, it is very unlikely based upon our experience in working with rating agencies that they are going to give an underlining rating to a series of bonds because if they can't fill up all 20 of their credit criteria buckets then they just don't give you the rating. Our experience is because of the concentration of ownership, we will not be able to get an investment grade rating, so the bonds would be issued on a nonrated basis. The current assessed value is about $76M, which is about a 9.1 value to lien when you are just looking at the outstanding series of bonds. The current composition of the landowners is very strong, as well as the lessee's. The District has a great collection history. It is collecting in excess of 100% of the assessment revenues necessary to pay debt service each year. There is a debt service reserve fund that is in conjunction with the existing series of bonds. We think based up on the key credit dynamics that we could get that reduced, which would further serve to provide some annual debt service and net present value savings to the District. On page we have gone ahead and run a refunding scenario. We are assuming that the bonds would be issued in December. The key reason for that issuance is that by December, this District is typically collected with its assessment revenues, so your landowners are taking advantage of the 4% discount provided under Florida Law to pay their taxes in November. The District is about 75% collected and the use of those 17 assessment revenues will allow for the refunding principal of the new bonds to be below the current outstanding principal amount of bonds. It provides for not having to go back through Chapter 170 assessment process, where you have to hold a public hearing and notice all of the landowners. In this particular case, we have made the assumption that rather than proceeding with the refunding today that the board would more likely want to avoid having to go back through a public hearing process. You can see we have $8,190,000 in principal outstanding. We estimate that the principal amount of the new bonds would be $8,025,000. We would keep the maturity date exactly the same. Since this District has maxxed out its 30 years of assessments for a particular project, it would be prohibited by Florida Law to extend the maturity any further, so any annual reduction that we are going to show you is not a result of kicking the maturity out 10 years and amortizing the principal over a longer period of time. We are estimating that there would be a net present value savings of about $600,000, which is about 7.3% and the annual debt service reduction would be about 16% or about $100,000 per year. Stepping back to the net present value savings, most City's and County's will look at refunding their bonds if they can achieve a minimum of 3% to 5% net present value savings. If JEA was going to refinance bonds, they would typically use the net present value savings as their benchmark. Most CDDs use the annual debt service reduction as their benchmark because they are not as concerned about net present value savings.

Ms. Warran joined by telephone.

Mr. Sealy stated we have an all and true interest cost or a TIC number. From an interest rate perspective, we are at a 5.3% right now. We estimate that if we were out in the market now, the average interest rate would be a 3.83%, so about 150 basis point differential from where the bonds current interest rate is to where we believe we could be out in the market today. The numbers that we provide in here are always net.

Ms. Harker asked so your fees for doing the refinance are already included in this?

Mr. Sealy responded yes and as are the assumption of what it would cost the rest of the working group. Our fee proposal was 2% of the principal amount of the bonds issued. Generally, the rest of the working group is about $125,000 to $150,000 in fixed cost of issuance, in order to do the bond issuance.

Ms. Harker asked what does the CDD charge right now?

Mr. Perry responded on this it is $.81 a foot for the debt service and then based upon his projections right now it would go down to $.68.

Ms. Harker asked in your experience across all of the boards that you are involved with, is this about the time?

Mr. Perry responded it is. In almost all of our Districts, we are doing refinancings right now.

Ms. Harker stated I would really like to do is take your numbers and share them with our CFO and then if he has any specific questions he can contact you.

Mr. Perry stated based upon your discussions internally if you wanted to move forward then we would schedule a meeting in October.

Mr. Sealy stated from the time that you say go, we are 60 to 90 days on the backend, especially if the District doesn't have to go through the Chapter 170 assessment process.

Ms. Harker asked what prevents us from going through that process?

Mr. Sealy responded an increase in the principal amount of the bonds.

SIXTH ORDER OF BUSINESS **Approval of the Minutes of the May 11, 2016 Meeting**

Mr. Perry stated included in your agenda package is a copy of the minutes of the May 11, 2016 meeting. Are there any additions, corrections or deletions?

> On MOTION by Ms. Pierce seconded by Ms. Hoffman with all in favor the Minutes of the May 11, 2016 Meeting was approved.

SEVENTH ORDER OF BUSINESS **Consideration of Assignment of Pond Maintenance Agreement with Jacksonville MZL, LLC**

Mr. Perry stated this agreement was discussed at the last meeting.

> On MOTION by Ms. Hoffman seconded by Ms. Pierce with all in favor the Assignment of Pond Maintenance Agreement with Jacksonville MZL, LLC was approved.

EIGHTH ORDER OF BUSINESS **Public Hearing to Adopt the Budget for Fiscal Year 2017**

A. Consideration of Resolution 2016-07, Relating to the Annual Appropriations and Adopting the Budget for Fiscal Year 2017

Mr. Perry stated a copy of the budget for Fiscal Year 2017 is included in your agenda package.

Ms. Harker asked what is the additional capital reserve?

Mr. Perry responded that is to keep the assessment levels at the same level they are now. That additional capital reserve is cash that is just sitting there for any improvements that you may want to make to your stormwater system or anything like that. We kept the assessment levels the same.

> On MOTION by Ms. Harker seconded by Ms. Bednarski with all in favor the Public Hearing to Adopt the Budget for Fiscal Year 2017 was opened.

Mr. Perry stated there are no members of the public in attendance.

On MOTION by Ms. Bednarski seconded by Ms. Hoffman with all in favor the Public Hearing to Adopt the Budget for Fiscal Year 2017 was closed.

On MOTION by Ms. Pierce seconded by Ms. Harker with all in favor Resolution 2016-07 Adopting the Budget for Fiscal Year 2017 was approved.

B. Consideration of Resolution 2016-08, Imposing Special Assessments and Certifying an Assessment Roll

On MOTION by Ms. Hoffman seconded by Ms. Bednarski with all in favor Resolution 2016-08 Imposing Special Assessments and Certifying an Assessment Roll was approved.

NINTH ORDER OF BUSINESS **Other Business**

There being none, the next item followed.

TENTH ORDER OF BUSINESS **Staff Reports**

A. Attorney

There being none, the next item followed.

B. Engineer

There being none, the next item followed.

C. Manager – Discussion of the Proposed Fiscal Year 2017 Meeting Schedule

Mr. Perry stated included in your agenda package is a proposed meeting schedule for next fiscal year. You will only meet three times in the year but there may be additional meetings scheduled.

On MOTION by Ms. Pierce seconded by Ms. Hoffman with all in favor the Proposed Fiscal Year 2017 Meeting Schedule was approved.

ELEVENTH ORDER OF BUSINESS **Supervisor's Request and Audience Comments**

There being none, the next item followed.

TWELFTH ORDER OF BUSINESS Financial Statements

Mr. Perry stated included in your agenda package is a copy of the financial statements as of May 31, 2016.

THIRTEENTH ORDER OF BUSINESS Assessment Receipt Schedule

Mr. Perry stated included in your agenda package is the assessment receipt schedule.

FOURTEENTH ORDER OF BUSINESS Approval of Check Register

Mr. Perry stated included in your agenda package is the check register, which totals $7,666.07.

On MOTION by Ms. Harker seconded by Ms. Bednarski with all in favor the Check Register was approved.

FIFTEENTH ORDER OF BUSINESS Next Scheduled Meeting – TBD at 10:30 a.m. @ the Offices of England-Thims & Miller

Mr. Perry stated the next scheduled meeting is February 8, 2017 at 10:30 a.m. at this location.

SIXTEENTH ORDER OF BUSINESS Adjournment

On MOTION by Ms. Bednarski seconded by Ms. Pierce with all in favor the Meeting was adjourned.

Secretary/Assistant Secretary

Chairman/Vice Chairman