

**MINUTES OF MEETING OF HERITAGE HARBOUR NORTH
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Meeting of the Heritage Harbour North Community Development District's Board of Supervisors was held on Thursday, April 7, 2016, at 2:00 p.m., at the River Strand Golf and Country Club (Clubhouse), 7155 Grand Estuary Trail, Bradenton, Florida 34212.

Present and constituting a quorum were:

Terrence Kirschner	Chairperson
William Riley	Vice Chairperson
John Wisz	Assistant Secretary
Nancy Lyons	Assistant Secretary

Also present were:

James P. Ward	District Manager
Shane Cooper	District Engineer

1. Call to Order & Roll Call

Mr. Ward called the meeting to order at 2:06 p.m., and a roll call determined that all members of the Board were present with the exception of David Nigip.

2. Consideration of the Minutes

a) November 5, 2015 – Regular Meeting

Mr. Ward asked if there were any additions, corrections, or deletions to the minutes. There being none, he asked for a motion.

Motion was made by Mr. Wisz and seconded by Mr. Riley, to approve the November 5, 2015 minutes, and with all in favor the motion was approved.

b) March 3, 2016 – Regular Meeting

Mr. Ward asked if there were any additions, corrections, or deletions to the minutes. There being none, he asked for a motion.

Motion was made by Mr. Wisz and seconded by Mr. Kirschner, to approve the March 3, 2016 minutes, and with all in favor the motion was approved.

3. Consideration of Resolution 2016-1 approving the Proposed Budget for Fiscal Year 2017 and setting a Public Hearing for Thursday, September 1, 2016 at 2 P.M. at the River Strand Golf and Country Club, 7155 Grand Estuary Trail, Bradenton, Florida 34212 on the Proposed Budget

Mr. Ward stated that the statute required him to prepare and provide to the Board a Proposed Budget prior to June 15th of each year, which the Board, in turn, was required to approve before that date, solely for the purpose of holding their public hearing on September 1st. Approval of the Budget didn't bind them to any of the costs contained therein, nor to any programs or assessment rates. It would, however, allow them to move the process forward toward their public hearing, at which time they would be asked to adopt the budget and set the assessment rates projected in the Budget preparation.

With reference to the Budget, Mr. Ward said that he did not anticipate another meeting between the present and the public hearing dates, unless Lennar had plans or something other to do. He requested those present let him know if they had any questions and felt they needed to have more meetings. Pages 1-4 of the Budget related to the General Fund, page 2 being most significant. Mr. Ward explained that the General Fund was essentially composed of the basic operations of the District. The proposed rate had gone up from \$56,019 in 2016, to \$64,078 in 2017. Turning their attention to the section directly above the Assessment Comparison Chart, he pointed out that in the Anticipated Year-end 9-30-16 column, the ending Fund balance was \$4,183, reflecting approximately the amount that would be available at the end of the fiscal year. That amount would not be enough cash to carry the District through the first three months of the coming fiscal year. As a result, what he had done, as shown on the previous page, was to insert a minus figure in the carry-forward on the very top line, putting cash back in the bank accounts in order to fund the cash balance and cover the first three months of the next fiscal year. That was the explanation for the assessment rate change, and looking back to page 2, the Fund balance was anticipated to go up to \$24,000 by 9-30-17. The rate change of roughly \$8 or \$9 from 2016 to 2017, was the only change implemented between the two fiscal years. The rates over time had been brought down from where they were – over \$100 per unit, per year – when he first took over the District. They were able to bring them down owing to significant cash balances in the bank account, though the balances were a little too low at the moment. He, therefore, was raising them just a little in order to get the cash balance to where they could handle District operations, and as a way of offsetting some extraordinary expenses they had had during the past few years. At any rate, he did not expect their expenses to change much over the next three to five years.

Ms. Lyons indicated that she had a few questions. Turning to page 2, under Assessment Comparison on the right, she asked if the housekeeping item should

read "2017." Mr. Ward affirmed the correction. Ms. Lyons requested confirmation also, that the increases of 18%, and then 16%, were not expected to continue but would stay at the present level. Mr. Ward replied in the affirmative. Referring to page 3 of the carry forward paragraph, Ms. Lyons asked if that date were correct. Mr. Ward answered no, it should be 2017.

Directing their attention to pages 5, 6 and 7, Mr. Ward pointed to the Series 2007 Bond Debt Service, stating that the numbers there remained relatively constant, changing, perhaps, by a few dollars per year. There was roughly \$1,890,000 per year in debt service due on the bonds, which kept the assessment rates relatively constant and the Debt Service Fund relatively simple. On page 8, was the 2007 Capital Projects Fund, which carried the construction funds which financed the infrastructure for the bonds. By year's end, it was projected that they would spend just about all in the Fund, save a little cash carries going into 2017. Pages 9, 10 and 11 contained the 2014 Series Bonds, also a debt service fund which would remain relatively constant, changing \$5 to \$10 per year. Approximately \$530,000 in debt service was due on the 2014 bonds, which essentially covered the annexed area of the District, i.e. the new portion of the District itself. On page 12 could be found the Capital Projects for the 2014 bonds, showing at the bottom an anticipated amount of about \$1 million remaining in the bank account at year end. Based on his conversations with Lennar, roughly \$1 million in capital, or a little bit more, would be necessary to complete the Heritage Harbour North area. Any costs over what remained in the bank would be picked up by Lennar pursuant to what was called a "Completion Agreement" under the bonds. If the amount were under \$1 million upon Lennar's completion of the project, the remaining cash would be used to prepay bonds. Sometime in 2017, most likely in the latter part of 2017, when Lennar finished up in the Marina area, he would have a better handle on whether the cost would be just over or under the \$1 million mark, though he suspected it would be over.

Mr. Ward asked if there were any questions. There being none, he declared that a motion to adopt Resolution 2016-1 would be in order.

Motion was made by Mr. Kirschner and seconded by Ms. Lyons to adopt Resolution 2016-1, and with all in favor the motion was approved.

4. Consideration of Agreement with MBS Capital Markets, LLC, to provide underwriting services for the evaluation and consideration of the refinancing of the Series 2007 bonds

Giving a brief background on the item, Mr. Ward reported that when the 2007 bonds were issued, the usual call protection feature was included, which meant that the District would not be in a position to refinance the bonds in question till May 2017. Interest rates were good for Community Development Districts at the present time. As such, they could do an advance refunding, meaning that they

could borrow money then and there and replace escrow the sum of money necessary to refinance the 2007 bonds, In May 2017, that escrow account would pay off the old bonds and they would operate as if it were a new bond issue. Cost of the escrow account would be high, concurrently with low interest rates, and consequently, Mr. Ward did not know if refinancing would be a good or bad decision. They would, however, consider the opportunity to refinance at present, as opposed to holding off till May 2017. Current SEC rules required them to retain the original underwriter so that he could provide them with the information necessary to do the evaluation. MBS Capital Markets would provide a very good fee structure and Brett Sealy was highly qualified. If, at some point prior to the issuance of bonds, the Board decided not to move forward, it could terminate refinancing by sending Mr. Sealy notice. Mr. Ward concluded that he thought it an opportune time to retain MBS Capital Markets and allow Mr. Sealy to do an evaluation, which he estimated could be brought before the Board by late summer. Mr. Ward said he would be glad to answer any questions, otherwise staff was recommending that MBS Capital Markets be retained in consideration of refinancing. Ms. Lyons requested confirmation that it concerned only the 2007 bonds. Mr. Ward answered that that was correct. In reply to another question, Mr. Ward clarified that there was no cost associated with looking at the refinancing or deciding against it. Once they started the refinancing there would be a fee, but he would advise the Board the board of it immediately. There were no further questions and Mr. Ward recommended a motion to approve the agreement.

Motion was made by Ms. Lyons and seconded by Mr. Kirschner to approve the agreement with MBS Capital Markets, and with all in favor the motion was approved.

5. Consideration of dedication of Bill of Sale for Utility Facilities to Manatee County for ownership, operation and maintenance

In the absence of District Engineer Shane Cooper, Mr. Ward requested Terry Kirschner advise the Board on where the utility facilities were located in the District. Mr. Ward explained that they were proposing to take water and sewer facilities they had purchased and currently owned, and dedicate them to Manatee County for ownership, operation, and maintenance. Mr. Kirschner pointed to G, representing the final tract where condominiums were being built, at the westerly end of Grand Estuary Trail, as the first of the three locations,. The second location was Phase 2 of the Sanctuary. The third was the small tract at Quiet Creek where the models were. Mr. Ward asked if there were any questions. There being none, he asked for a motion to authorize the Chairman to execute the Bills of Sale.

Motion was made by Mr. Wisz and seconded by Ms. Lyons to authorize the Chairman to execute Bills of Sale for dedication to Manatee County, and with all in favor the motion was approved.

6. Staff Reports

- a) **Attorney** – Mr. Urbancic was not present to report.
- b) **Engineer** – Mr. Shane was not on hand to report.
- c) **Manager**

I. Financial Statements for the period ending February 29, 2016

Mr. Ward stated he had nothing he needed to bring to the Board's attention on the financial statements, unless they had any questions on the interim financials which, as they could see, were consistent with what they had done in the past.

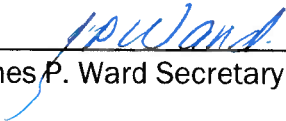
7. Supervisor's Requests and Audience Comments

Ms. Lyons commented that there seemed to be quite an increase in Trustee Services. Mr. Ward responded that that was correct, explaining it was because of the second series of bonds that came on after they did the Budget.

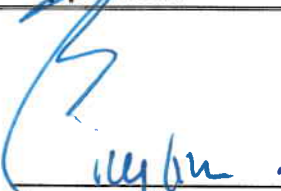
8. Adjournment

Motion was made by Ms. Lyons and seconded by Mr. Riley to adjourn the meeting, and with all in favor the motion was approved.

The meeting was adjourned at 2:22 p.m.



James P. Ward Secretary



Terrence Kirschner, Chairman