

MINUTES OF MEETING
PINE ISLAND
COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Pine Island Community Development District was held Thursday, April 14, 2016 at 10:00 a.m. at the Bella Collina Clubhouse, 16350 Vetta Drive, Monteverde, Florida.

Present and constituting a quorum:

Randall Green	Chairman
David Burman (phone)	Vice Chairman
Duane Owen	Assistant Secretary
Andrew Gorrill	Assistant Secretary

Also present were:

George Flint	District Manager
Andrew d'Adesky	District Counsel
Jeff Einhouse	District Engineer
Alan Scheerer	Field Manager

FIRST ORDER OF BUSINESS

Roll Call

Mr. Flint called the meeting to order at 10:00 a.m.

SECOND ORDER OF BUSINESS

Public Comment Period

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Organizational Matters

- A. Appointment of Individual to Fulfill the Board Vacancy with a Term Ending November 2016**
- B. Administration of Oath of Office to Newly Appointed Supervisor**
- C. Election of Officers**
- D. Consideration of Resolution 2016-04 Electing Officers**

Mr. Flint: You can continue to operate with 4 Board members, but at some point you will want to fill that position.

Mr. Owen: Am I able to nominate someone now?

Mr. Flint: Yes. They do not have to be here and the only requirement is that they are a resident of the State of Florida and a citizen of the United States. You can think about it and we will put it on the next agenda.

FOURTH ORDER OF BUSINESS

Approval of Minutes of December 10, 2015 Meeting

Mr. Flint: Are there any additions, deletions, or corrections to the December 10, 2015 meeting minutes?

On MOTION by Mr. Greene, seconded by Mr. Owen, with all in favor, the Minutes of the December 10, 2015 Meeting, were approved.

FIFTH ORDER OF BUSINESS

Status of Bond Structure

Mr. d'Adesky: We are moving forward with this and looking to be positive and hopefully everything goes smoothly, which is never absolutely the case with bond counsel.

We would be looking to pre-close following the next meeting in May and move forward with that and it be approved by a resolution. We look forward to doing this and we have started on the bond documents and everything is looking good.

Mr. Flint: This is the restructure of the utility bonds that are currently in default and the nice thing is when we get these restructured it will bring them out of default and will also take those negative comments out of the annual audit report.

Mr. d'Adesky: That is a required disclosure and in a lot of other Districts have similar disclosures they have to make.

SIXTH ORDER OF BUSINESS

Consideration of Aquatic Plant Management Agreement with Applied Aquatic Management, Inc.

Mr. Flint: The only change I would ask the Board to consider in your agenda is the agreement is a 12 month agreement and we ask that you approve it for 17 months. That allows it to expire at the end of the Fiscal Year of 2017 so that the agreements can run current with the

fiscal year. We can bring all of our contracts in line and sometimes when you have these agreements that expire in the middle of the year, you may not have a meeting to approve prior to year end.

Mr. Greene: What is required to do that?

Mr. Flint: You have the form of the agreement in your agenda and the motion would just be subject to it being modified to a 17 month agreement, and there is also an addendum that is prepared by counsel that is attached to that agreement. In that agreement, there is a reference to the dollar amount and that would just need to be changed. The addendum that Andrew prepared has the standard terms and conditions for the District. It overrides some of the terms that are in the Applied Aquatic Agreement. For example, they have an automatic renewal provision in there and this addendum deletes that automatic renewal. It also gives us the ability to cancel it with a 30-day notice. It had an automatic renewal but with the inflationary increase we dropped that out. We want to renew that every year and not automatically. If there are any questions we can discuss those.

On MOTION by Mr. Greene, seconded by Mr. Owen, with all in favor, to extend agreement with Applied Aquatic Management, Inc. to 17 months and approval of the standard addendum, was accepted.

SEVENTH ORDER OF BUSINESS

Review and Acceptance of the Fiscal Year 2015 Draft Audit Report

Mr. Flint: There is one page that changed since the agenda went out, and I handed that out to you. The only difference is there is a note about depreciation and what is in your agenda says \$194,700 was depreciated. The revised page is \$190,589 and that is the only difference. If you look at page 37 this is the management letter. There are two audit findings that have been in here since 2011 when the utility bonds went into default; Finding 2011-01 deals with the fact the bonds are in default and as a result of that the District meets one of the conditions of Section 218.503 in the Florida Statutes, which describes a financial emergency. We technically meet that condition and we have since 2011 because we are in default. The District has adequate resources, the bondholders have not chosen to enforce up to this point and we are in the process of restructuring those bonds so this will go away in the next audit. You have Finding 2011-02

which is also related to that and there is a requirement on it that we have a fully funded debt service reserve account, and when the bonds went into default the bondholders tapped the debt service reserve and reduced it below the requirement. Those two issues should go away in May when we restructure the bonds, and again those have been in there for the last 5 years. The governor's office does periodically contact us and there is also a joint legislative auditing committee. Copies of the audits go to the State of Florida the Auditor Generals Office and at anytime there is a condition of it in there we typically will be contacted. When we are contacted we provide a response and they seem to be satisfied with it.

Mr. Greene: Is it a virtual conversation?

Mr. Flint: We send them a letter and they typically get the letter and then we do not hear from them again because of the fact that we are working this out right now. Hopefully in May we will restructure the bonds and I don't expect anything to occur. The only thing is if the audit has not been finalized, this is marked as "draft," if we haven't finalized it since this agenda went out we may want to consider including in our response to these comments that we are currently in the process of restructuring the bonds.

On MOTION by Mr. Greene, seconded by Mr. Gorrill, with all in favor, to accept the Fiscal Year 2015 draft Audit Report and authorized District Staff to transmit the final to the State of Florida.

EIGHTH ORDER OF BUSINESS

Consideration of Resolution 2016-05 Approving the Proposed Fiscal Year 2017 Budget and Setting a Public Hearing

Mr. Flint: This is a Resolution approving a proposed budget and setting a date, place, and time for a public hearing for its final consideration. The District is required to approve what is proposed by June 15th of each year and set the date, place, and time for the hearing. We are suggesting July 14th at 10:00 a.m. for the hearing of its final consideration. Exhibit A to this is the proposed budget. The Board has the ability to make changes to this document up to and at the public hearing to the extent that it is not increasing assessments. You would have to take some extra steps if there were any attempt to do that. The proposed budget as its structured right now contemplates the assessments would remain the same. On page 1, this is the General Fund budget and you can see currently a single-family home pays \$225 a year for the operating and

maintenance portion of the budget and we are proposing that to remain the same. In the current year we took the fund balance and we transferred \$292,000 of that fund balance into a Capital Reserve Account and kept about \$40,000 in the General Fund for an Operating Reserve. In the next year we are proposing to transfer out an additional \$40,000 into the Capital Reserve Fund. The budget is adequate for our expenses as they currently are. On page 6, you will see the Capital Reserve Fund and this is where that transfer out of the \$292,000 in this year, this is where it comes into and the additional \$40,000 next year. We are looking at a Capital Reserve Fund of about \$333,000 above our Operating Reserve.

Mr. Greene: What is the mandate?

Mr. Flint: There is no mandate. Unlike HOA's and POA's, CDD's do not have a reserve requirement. I think this is healthy to have this amount of reserve if we have any issues with the storm system or otherwise we have the funds to make those repairs. We are projecting about \$40,000 being put in there and at some point we could look at that and potentially reduce that \$225 down to something else.

Mr. Greene: If you reduce it, does it go in some form of a rebate back to the consumer?

Mr. Flint: No the annual assessment would just go from \$225 down to \$200 or so.

Mr. Greene: So we book it that way?

Mr. Flint: Yes. If there is not a need to continue to accrue money in the Capital Reserve the Board could consider in future years to reduce \$225 down.

Mr. Greene: What would you want to do, just out of curiosity, to continue to book more because obviously the property ages.

Mr. Flint: We might want the engineer to look at the useful life of the assets and advise us on what an adequate reserve is. It's not a lot of money but contributing \$40,000 a year into that reserve is not exorbitant.

Mr. Einhouse: With the continued construction, roads will deteriorate and I think you need to look at that within 5 years.

Mr. Flint: The roads are POA but with the roads you have the storm system under that too.

Mr. d'Adesky: I know they did some work on the depreciation when they were looking at the water construction. I know they looked at some numbers as part of the report but they might want to get a better look, because I know when they were doing a wholesale study they

had a flat depreciation over 30 or 40 years and I know some of that is modulated. It is a good base line.

Mr. Flint: We can use the wholesale study when we are looking at the water and sewer fund as a possible guide. We have a separate Capital Reserve for the water and sewer. This only covers the General Fund aspects of the storm system. If you look on page 9, this is the water and sewer fund and the revenue source from this is the monthly water and sewer bill that goes out to all of the customers. There is a \$195 a year assessment on the undeveloped lots to preserve the capacity while it is not being used. The utility was constructed to serve all 800 homes in here and we have approximately 50-60 on line. Once the home is built and the meter is set the \$195 goes away, so every year when we do this we certify the assessment roll. We adjust it based on the new homes. We have a separate Capital Reserve on page 15 for water and sewer. In 2017 we have identified about \$95,500 in projects to be pulled out of that reserve and you can see those identified there.

The utility plants are aging and there are some things that need to be done. Working with our plant operator, we have come up with this list and you can see that will be funded out of the Capital Reserve.

On MOTION by Mr. Greene, seconded by Mr. Gorrill, with all in favor, Resolution 2016-05 approving the proposed Fiscal Year 2017 budget and setting the public hearing for Thursday, July 14, 2016 at 10:00 AM at the Bella Collina Clubhouse was approved.

NINTH ORDER OF BUSINESS

Appointment of Audit Committee and Chairman

Mr. Flint: Every three years we typically will bid out the auditing services. There is no requirement but as a practice we will do it every three years. As part of bidding out audit services you have to appoint an Audit Committee and designate a Chairman. In the past we have suggested the Board designate themselves as the Audit Committee and one of the Board members as Chairman, you can appoint others if you wanted to do that. We have advertised Audit Committee meeting immediately after the Board meeting. In the event you guys appoint yourselves, we will adjourn this meeting and open that meeting. The Audit Committee's role is just to approve the selection criteria, form of the notice, and then when the proposals come in

review and rank those and make a recommendation to the Board. If the Board is ok with appointing themselves then a motion is in place and designate a Chairman.

On MOTION by Mr. Greene, seconded by Mr. Gorrill, with all in favor, the Board appointed themselves as Audit Committee and Mr. Greene as the designated Chairman.

TENTH ORDER OF BUSINESS

Staff Reports

A. Attorney

i. Ratification of Corrective Deed

Mr. d’Adesky: I have two items and the first is the ratification of the corrective deed, which is in the agenda. Essentially it is unclear how this parcel of property became titled to Pine Island CDD. The plat and dedications intended for this to be the HOA above POA property and not CDD properties. This is kind of correcting that and getting in line with dedications and plates.

Mr. Flint: This is the cul-de-sac area?

Mr. d’Adesky: Yes.

Mr. Flint: It runs parallel to the main road on 455. For some reason it was in the CDD’s name and we should be able to clean that up. This corrective deed was recorded and we are just asking the Board to ratify that. It included the road because the CDD does not own any roads.

On MOTION by Mr. Greene, seconded by Mr. Gorrill, with all in favor, the Corrective Deed was ratified.

ii. Discussion of Proposed IRS Regulations

Mr. d’Adesky: There were some proposed regulations regarding Political Subdivisions and the definition of what is a Political Subdivision. Sometimes the IRS publishes rules and they are intended to correct behaviors or reorient. This one was really based on the TAM that was issued for the Villages and this only applied to the Villages specifically because it was commercial and could never be turned over to the residents, ever. It was not a Political Subdivision of the IRS code and they were ineligible to issue tax-exempt bonds, which is one of the main advantages of a CDD. Based on the lack of clarity and confusion, individuals in the

industry came out with a rule or repeal that TAM. They decided to propose a rule on defining what is and is not a Political Subdivision. The only criteria that they have added that becomes an issue here is to be a Political Subdivision unless eligible for tax-exempt bonds you must either be directly controlled by the City, County, State, or by an electorate. The way they have defined an electorate is very confusing and an electorate is conformed by more than four individuals or entities but no more than ten. Their intent behind it is to push for more resident control versus developer control and commercial control. There has been an extreme pushback on this the industry of lawyers and national association of bond lawyers just sent out a letter opposing this rule because lack of clarity. There are other Districts and States that are appointed not elected, and cause issues with the bonds. For us here what that would do is create a developer-controlled District, which does not transition to resident control, and they would no longer be able to issue tax-exempt bonds after 90 days from when the rule is finalized. Now that rule may never been finalized, sometimes these rules are just put up as a threat. The one that comes to mind recently is the rule about inversions. They may never finalize this rule or they may revise it we do not know at this point. Any bonds issued in the past will be grandfathered in so there would be no going back and saying the bonds that are already issued are not tax-exempt. The issue would be going forward and needing to issue either a taxable bond or refinance. You are allowed to refinance bonds that were previously issued like this last modification that we are doing regardless if they publish the new rule. We just want everyone to know that we are staying aware of any changes.

B. Engineer

There being none, the next item followed.

C. District Manager's Report

i. Approval of Check Register

Mr. Flint: You have the check register through March 31, 2016 for the General Fund and Enterprise Fund in the amount of \$46,825.75.

On MOTION by Mr. Greene, seconded by Mr. Gorrill, with all in favor, the check register through March 31, 2016 for the General Fund and Enterprise fund in the amount of \$46,825.75 was approved.

ii. Balance Sheet and Income Statement

Mr. Flint: You also have the unaudited financial statements through February 29, 2016. There is no action required on those. If you have any questions we can discuss them.

iii. Presentation of Arbitrage Rebate Calculation Reports

Mr. Flint: The arbitrage rebate calculation reports for the special assessments bonds and for the water and sewer bonds are included in your agenda packet. Both reports indicate a negative rebate requirement, which means there is no arbitrage issue for the special assessment bonds it is a negative \$1,815,000 and for the utility bonds it is a negative \$331,118. If there are any questions on those reports we can discuss that.

On MOTION by Mr. Greene, seconded by Mr. Owen, with all in favor, the arbitrage rebate calculation reports, were accepted.

iv. Designation of November 10, 2016 as Landowners' Meeting Date

Mr. Flint: Every two years you have a landowner election and you need to designate the date for the landowners meeting. It has to be in the month of November and we are suggesting that the Board designates November 10, 2016 as the date. We have included the instructions and sample agenda, as well as the form of the landowner proxy in your agenda. At this point because this Board hasn't begun transitioning to a general election Board, all five seats are elected by a landowner election. Which means it is one vote per acre and part of an acre. If one lot owner has less than an acre they would have one vote, if its 1.2 acres they would have two votes, etc. We would be going through that process and there will be three seats open in November and those are David Burman's, Rocky Owen's, and the vacant seat.

On MOTION by Mr. Greene, seconded by Mr. Owen, with all in favor, the designation of November 10, 2016 as landowners' meeting date, was approved.

v. SBA Florida PRIME Monthly Summary Report

Mr. Flint: We included the SBA monthly report in your agenda packet. There is no action required.

ELEVENTH ORDER OF BUSINESS Other Business

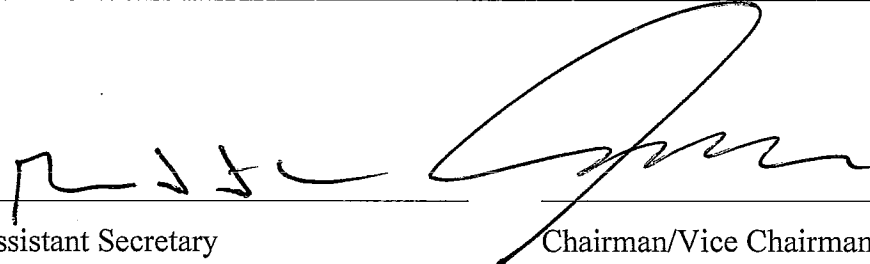
There being none, the next item followed.

TWELFTH ORDER OF BUSINESS Supervisor's Request

There being none, the next item followed.

THIRTEENTH ORDER OF BUSINESS Adjournment

On MOTION by Mr. Owen, seconded by Mr. Greene, with all in favor of adjourning the April 14, 2016 Meeting at 10:28 a.m.



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Secretary/Assistant Secretary

Chairman/Vice Chairman