ABERDEEN
COMMUNITY DEVELOPMENT DISTRICT

A special meeting of the Board of Supervisors of the Aberdeen Community Development District was held Tuesday, January 7, 2019 at 10:00 a.m. at the Aberdeen Amenity Center, 110 Flower of Scotland Avenue, St. Johns, Florida 32259.

Present and constituting a quorum were:

Angela Andrews	Vice Chairperson
Dennis M. Clarke	Supervisor
Hillary (Beth) Fore	Supervisor

Also present were:

Ernesto Torres	District Manager
Carl Eldred	District Counsel (by telephone)
Lauren Eggleston	Vesta
Sete Zare	MBS Capital Markets, LLC

The following is a summary of the actions taken at the January 7, 2019 meeting. A copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Torres called the meeting to order at 10:00 a.m. and called the roll.

SECOND ORDER OF BUSINESS **Audience Comments**

There being none, the next item followed.

THIRD ORDER OF BUSINESS **Discussion of Refinancing of the Series 2005 Bonds**

Mr. Torres stated item three is discussion of refinancing the series 2005 bonds. There is an opportunity that presented itself to the district for our 2005 bonds that can be refinanced at a much reduced interest rate than you are currently paying. I presented that to Rhonda, had a telephone conference with Sete and Rhonda and we thought there was a good opportunity to being this to the board. I have an email from Rhonda that I will share, her position is that she is in favor of the refinancing but not additional capital.

Before Sete can go into any detail discussion on the refinancing if the board wants to move forward with the presentation we need a motion to approve the investment banking agreement with MBS Capital Markets.

Ms. Zare stated my firm, MBS, as well as our processor, Prager Sealy & Co., have served as the underwriter for all the district's financings. We have a history with the district and part of our role as the underwriter is to continue to monitor the district's outstanding debt to see if there are any refunding opportunities and that is why we are here today. We identified the 2005 bonds as a potential refunding candidate. As Ernesto mentioned we have to have approval of the investment banking agreement hiring us as the underwriter for the 2005 refinancing before we move forward. If you choose to not move forward with the refinancing we can terminate the agreement. It is required in order to go through the details of the savings.

> On MOTION by Ms. Fore seconded by Ms. Andrews with all in an investment banking agreement with MBS Capital Markets, LLC for the series 2005 refinancing was approved.

Ms. Zare stated currently the 2005 bonds are outstanding in the principal amount of $24,835,000 at a 5.5% coupon. The 2006-1 bonds is outstanding in the amount of $485,000 and that is an interest only bond and is paid down by the developer prior to selling the home to an end user so the residents are never exposed to the 2006-1 bonds. Just recently the district issued its 2018 bonds in the principal amount of $2,065,000.

As part of our role we continuously monitor to see if the district is in a position to refinance any of its outstanding debt and at this point in time we believe the 2005 bonds are a great refunding candidate. The 2005 bonds were originally issued in October 2005 in the principal amount of $38,735,000 with a coupon at 5.35% a maturity of May 1, 2036 and is currently callable as of February 1, which allows for us to take high interest rate debt and replace it with low interest rate debt and that is creating the savings we can pass on to the end users.

When the 2005 bonds were originally issued they were issued as non-rated bonds and that is because of the infancy stage of development with the tax holder concentration and because of that it was issued as non-rated. It was also issued and levied over all 1,934 planned units within the district as well as the 49,000 square feet of commercial space. By Florida Statute landowners have the right to prepay the debt in full with no penalty and 297 residents have taken advantage of

that. Your assessment area for the 2005 bonds is actually reduced down to 1,637 residential units. Anything in this presentation is specific to those 1,637 residential units.

In looking at a refinancing we look at key credit metrics to see if the district assessment area has reached credit maturity specifically we look at vertical homes, how many homes have gone up with end users in there, tax payer concentration as well as how healthy is the district, have they been collecting their assessments in full. In this case the 2005 bonds are nearing credit maturity, they have about 1,300 vertical units the remaining 300 are vacant developed lots. Because of that we decided to look at a senior subordinate structure that is detailed on page 5 of the handout. We have 1,637 residential units within this assessment area and of that about 1,300 vertical and 300 are vacant so in order to access the investment grade market sooner rather than later to take advantage of the low interest rate environment we create a senior subordinate structure, the senior becomes all the vertical units and the subordinate becomes all the vacant units. The senior piece we can actually go to a rating agency and apply for a rating which provides for a lower interest rate. The subordinate component would be considered non-rated because it is still vacant land but the benefit of the structure is that it is still one assessment area, all 1,637 units, it is a blended rate between the senior and subordinate and every resident benefits equally. We can access the investment grade market and take advantage of the low interest rate environment even though we haven't reached full credit maturity and still provide substantial savings to the residents.

On page 6 there are a few things I want to point out. As I mentioned your current outstanding is $24.835 million a coupon of 5.5%, with this refinancing we are anticipating generating par neutrality that means the principal amount of the current outstanding bonds will not increase it will stay level or less. It does not trigger the Chapter 170 process, which means that we don't have to notice all 1,637 units that their principal is increasing because it is not. In fact, it will stay the same and their annual debt service on the tax bill is going to decrease.

We are going to from a 5.5% coupon to an assumed estimated average coupon of 3% - 3.5% it has a maturity of May 1, 2036, which is going to match the maturity of your prior bonds so you are not extending the maturity. We will apply for credit enhancements and a rating from rating agencies to further enhance the savings and that is just on the senior component and with that we anticipate $3.37 million in net present value savings or 13.6%. As a benchmark generally municipalities when they look to refinance their benchmark is 3% so we are well above that 3% benchmark.

How it affects the residents in particular within that assessment area, you are looking at about $308,000 on an annual basis in savings, which translates to 12.9%. The next page is easier to follow for what it will look like if you for example had a single-family 63 foot home, currently you are paying about $1,592 specific to the debt assessment after the proposed refunding they will be paying about $1,387 so that is a savings of $205 on an annual basis. The principal is not increasing. If you take the annual savings and apply it to the remaining 17 years of the bond you have a total of $5.2 million in annual debt service savings.

That is one option for the district and that is the refinancing component of this potential refinancing. The district if they do have any capital infrastructure needs, if they need money for any infrastructure they can issue a new money component in conjunction with this refinancing. There are some key items to consider, one of which is your principal will increase, you will not stay par neutral and because your principal is increasing you will have to notice all 1,934 residential units as well as the 49,000 square feet of commercial space that their principal is increasing for the purpose of a new money bond, which will generate capital improvement proceeds.

The key factors are the 2005 bonds is 1,637 units and does not require a notice you can just do a refinancing but if we do move into a refinancing and new money component all 1,934 residential units will be exposed to that debt so the 297 units that have prepaid will see an increase in their annual assessment and the 1,637 residential units get benefit from the refinancing will see a reduction in the amount of reduction they would get with a refinancing. It is offsetting their savings they could potentially receive in this financing. I did want to put that out there in the event the district is considering capital improvements and make sure that you fully understand what implications it does have if you add a new money component to this issuance. That would trigger the Chapter 170 process and all 1,937 residential units would be notified that their principal debt assessments are going to increase.

Mr. Clarke asked when would the adjustments show up in the tax roll?

Ms. Zare stated typically the tax roll is due to the county by October and we would be well in advance of that and the next tax bill you have will have the change.

Mr. Torres stated there is a deciding factor, one is do we pursue as presented with just the savings and the other factor is do we pursue a new money component for new capital projects and the other factor is do we maintain the status quo and do nothing.

Ms. Andrews stated I would say just the savings.

Ms. Fore stated I agree, just the savings.

Mr. Eldred stated the only reason you would consider trying to draw out any capital is if you had any significant capital projects you needed to spend on and what we have seen is the 2018 project looks like we have sufficient funds to do most if not all of those projects so if the board doesn't feel the need to draw any additional funds for capital projects then that the refunding option is a good option. If that is the will of the board we would need a motion authorizing Sete to move forward with submitting the necessary credit package and application to commence the refinancing of the 2005 series bonds.

On MOTION by Ms. Andrews seconded by Ms. Fore with all in favor MBS Capital Markets was authorized to move forward with a credit package application for refinancing of the series 2005 bonds.

Mr. Eldred asked Sete, is there anything else that you need from us or any further direction you need from the board in order to move forward?

Ms. Zare responded no, just that approval is what we need to start approaching rating agencies and start the process of getting the team engaged to prepare the necessary documents.

FOURTH ORDER OF BUSINESS **Consideration of Pool Deck Pavers and Coping**

Mr. Torres stated we need a supervisor to work with staff on this item.

Ms. Andrews stated I will do that.

Mr. Torres stated I will get with Angela after the meeting and we will work on that and get that back to Crown Pool and get them back on schedule.

FIFTH ORDER OF BUSINESS **Supervisors Requests and Audience Comments**

Ms. Andrews stated a resident on Grand Point said that the lines on the road are disappearing. I know this is not a CDD issue but maybe we can assist with that and reach out to the county and let them know. Was the railing fixed at that corner?

Ms. Eggleston stated I approached them twice and we are in a holding pattern with the county.

Ms. Andrews stated maybe we can add that to the list when they come out to fix the railing.

Ms. Eggleston stated I have a call tomorrow with the county about a parking issue and I will ask him if there is a fast track person we can talk to.

A resident stated I would like to know if shortening the term of the bond is allowed.

Ms. Zare responded yes but you are not going to realize the savings because you are shortening the term. If the rates goes down and you shorten the term of the debt you minimize the savings the residents will be exposed to.

A resident stated I'm all about shortening debt. My personal position is let's keep our annual payment the same and shorten the debt.

Mr. Clarke stated the bonds are designed to mature 17 year from now so if we do as you suggest we would be benefiting future people who don't live here yet at the expense of the people who live here.

Ms. Andrews stated also as an individual you can pay off your debt.

SIXTH ORDER OF BUSINESS **Next Scheduled Meeting – 01/28/20 @ 6:00 p.m. @ Aberdeen Amenity Center**

Mr. Torres stated the next scheduled meeting is January 28, 2020 at 6:00 p.m.

On MOTION by Mr. Clarke seconded by Ms. Fore with all in favor the meeting adjourned at 10:25 a.m.

Secretary/Assistant Secretary

Chairman/Vice Chairman