MINUTES OF MEETING
BOYNTON VILLAGE
COMMUNITY DEVELOPMENT DISTRICT

A Continued Meeting of the Boynton Village Community Development District's Board of Supervisors was held on **Monday, August 15, 2016** at **2:00 p.m.**, at **2300 Glades Road, Suite 202E, Boca Raton, Florida 33431**. The agenda is as follows:

Present and constituting a quorum were:

Adam Freedman	Chair
Jim Gielda	Vice Chair
Gary Einfalt	Assistant Secretary
Mike Oliveri *(via telephone)*	Assistant Secretary
Michael Smith *(via telephone)*	Assistant Secretary

Also present were:

Craig Wrathell	District Manager
John Markey	Developer
Ed Bulleit	MBC Capital Markets, LLC

FIRST ORDER OF BUSINESS **Call to Order/Roll Call**

Mr. Wrathell called the meeting to order at 2:04 p.m., and noted, for the record, that Supervisors Freedman, Gielda and Einfalt were present, in person. Supervisors Oliveri and Smith were attending via telephone.

SECOND ORDER OF BUSINESS **Continued Discussion: Bond Refinancing**

A. Consideration of Agreement with Investment Banks: MBS Capital Markets, LLC & FMSbonds, Inc.

Mr. Wrathell introduced Mr. Ed Bulleit, Managing Partner of MBS Capital Markets, LLC, (MBS), and stated that the investment banker is unable to provide investment advice until actually engaged. The Agreement is completely contingent on financing occurring. The Board could hire MBS and FMSbonds, Inc., (FMS) today and, by the end of the meeting, terminate their services. Regarding the engagement letter, Mr. Bulleit was available to answer specific questions. Regarding the engagement letter and, assuming that engagement would be approved today, Mr. Bulleit would give a presentation on the opportunities that may be available to the

District, from a refinancing perspective. Section 2 of the Agreement contained the fees. The proposed underwriting fee would be not-to-exceed 2% of the par amount of the bonds and disclosure counsel fees would not exceed $30,000, contingent upon moving forward with the financing.

On MOTION by Mr. Freedman and seconded by Mr. Einfalt, with all in favor, the Engagement Agreement with Investment Banks: MBS Capital Markets, LLC and FMSbonds, Inc., for investment banking services, was approved.

Mr. Bulleit distributed copies of his presentation and gave a brief history of MBS and FMS. FMS and MBS handle approximately 90% of the market. The presentation was on behalf of both investment companies. Mr. Bulliet discussed recent and current deals handled by FMS and MBS. As reflected, on Page 4, on June 24, 2016, the rates reduced significantly, primarily due to Brexit. There has been more of a reduction in tax exempt debt because crossover buyers, from all over the world, were buying tax exempt debt because one-third of developed countries right now have a negative return on investments. Due to the crossover buyers, tax exempt bonds are reducing more on a corresponding basis than taxable. The graph reflected that rates have been low, for a long time. On the far right, on Page 4, 2.15 is the MMD 30-year index, which bonds are priced off of. That would be for AAA rated, such as the Town of Palm Beach. An A-rated deal trades 80 to 100 off of that. A BBB, which is typical in these types of deals, trades at about 170. The deal of pricing today is BBB- and is pricing about 170 over that level. On the long-end it is still 380 on the refinancing piece. Both companies are hired as investment bankers and not just underwriters and are probably at a 50/50 placement on deals to the banks versus underwriting; it depends on where the market is pricing, how aggressive the banks are and how much capital is invested. The cost estimates are very accurate but could be reviewed, going forward. The banks and the underwriting side are reviewed and the offering documents are prepared. As time gets closer to either place the bank or underwriting, a decision can be made and presented to the Board to give the District the best lowest rate. Page 7 reflected the process for a bank placement, for the commercial piece, because a rating cannot be obtained on a commercial property. It does not matter how much value there is on a commercial property, as the rating agencies are not concerned about the collateral value and getting the money back. The agencies never want to rate a bond and have an interruption of debt service payment, so, there is

hesitation on commercial deals, even though the collateral value is well-above what the assessment is because, somehow, the company could throw the commercial property into bankruptcy, stay the tax certificate process and have an interruption of debt service. Fortunately, the banks are currently very aggressive. The proposed structure would be a bank placement on the approximately $3 million commercial piece, and, then, the nonrated piece would go to a public offering, on a nonrated basis, with FMS.

Mr. Bulleit stated that reflected that Page 8 reflected the District's outstanding debt. The District issued $3.6 million with the Series 2007 A-1 bonds, which were the commercial piece, in conjunction with $12.1 million for the Series 2007A-2 bonds. The A-1 bonds are due May 1, 2037 with an average coupon of 5.75%. The A-2 bonds are due May 1, 2038, with an average coupon of 6%. The Series 2007 bonds were nonrated because, at the time, it was raw land. A discussion must occur regarding using the $200,000 to reduce next year's debt service to offset the maintenance increase. The bonds are callable May 1, 2017, which is the first time it makes sense to consider refinancing because, unlike mortgages, refinancing can only happen when this optional call date is current. There are ways to structure it and close, in December, for example, and maintain the money, in escrow, to pay-off in May, 2017, and obtain a verification report from the accountant stating that this debt is gone for purposes of the District. In structuring these deals, the maturity date was not extended past 2037, on the A-1, and 2038 on the A-2. On Page 9, the refunding par is issuing $3,105,000 and taking out $3 million. In reality, through some communications, it was assumed that $200,000 was paying down some par, first, and will get worked out in the restructuring. It shows an average coupon of 3.50% but MBS/FMS achieved a bank placement last week of 3.20%. As compared to a mortgage there typically needs to be about 150 basis points under where the Districts rate is, to start to make sense to produce savings. Given that the outstanding debt is at 5.75% and 5.60%, if a 3.50% was possible, there would be significant savings. Currently, the bonds have a requirement of 100% of the max annual debt, which is typically used to pay last year's debt service but, entering the market with better credit there could only be a 50% of the max annual debt emergency fund requirement, versus the 100% requirement. There was a concept in all the document for the deals done in 2005 through 2007 stating, if the District financed the improvements of the development and the developer sold more improvements than the District had bond proceeds, then there could be a potential obligation for the District to pay, from excess funds, a deferred obligation back to the original developer. Sometimes a deferred obligation is noted in the financial statements. Other

times, a forensic review of the financial statements was necessary to calculate whether it was deferred. The easiest way is the Engineer's Certificate stating that the project is complete and that there is no deferred obligation or, possibly, a minor one. To be conservative on the savings, right now, it was assumed that there could be some money owed and, typically, the only money that is really available to pay a deferred obligation is the reserve account that is an emergency fund. If this emergency fund was not in place, when the deal was structured 10 years ago, it would have been construction dollars. When it is time to refinance and, say the credit markets only need 50% of that, then this can be used to downsize the par of the new money deal, or, if there is some deferred obligation, it could be calculated and, sometimes negotiated, with the developer.

Mr. Wrathell stated, in this particular deal, the capital improvement program was never fully completed; the developer of the residential is completing that infrastructure that initially was not finished. The $200,000 previously discussed, which was lowering the debt assessment this year with using extra cash and revenue account to lower the debt assessment, increasing the general fund assessment to pay for an acquisition of some infrastructure, as well as some modification of storm water ponds and that type of thing, was what the $200,000 was for. If the timing was different, the bonds probably could have simply been refinanced and then produced a $200,000 construction account; however, with timing and the 197 mailed letters already sent, showing the reduced assessment, that opportunity has passed. There may be another $400,000 in a revenue account that could be applied toward the refinancing. Mr. Bulleit agreed about the $400,000, in a revenue account, and stated $200,000 was held back, as Mr. Wrathell discussed. If there was no deferred obligation, it would be assumed that this 50% reserve account would be not used, so the savings would be even better. Page 9, the commercial piece, showed an estimated savings of about 15% net present value, which is also about a 50% annual reduction and the table, at the bottom, showed that the projected savings would be about $0.10, per square foot, almost 15%. If, the remainder of the reserve account could be used, it would probably be closer to 20%, extrapolating, based on how much is known to be in the reserve account. Page 9 was a private placement, as was discussed, which is commercial, placed with the bank; it shows a 3.50% and there was a 3.10%, last week, being conservative, if the market stays the same, it is very possible the District could be in the 25% range between availability of that reserve account and a 3.10%/3.20% rating that floats in 30 years. Page 10 was the residential piece, with an outstanding par of $8,105,000, adjusted for the $200,000 discussed. The refunded part is $7.9

million. If these funds were available it would be better. It showed 4.50%, which is closer to the current market. If the bond was sold today it would be slightly through to 4.50% or close to 4.40%. The date would not be extended, it would still be May 1, 2038. 50% of the maximum annual debt reserve account would not be used in financing but, if it was available, it would increase the savings. The net present value was shown at about 9%; an annual reduction is 10.2%. The schedule, at the bottom, showed the projected annual savings for the homeowners. On the six-story multi-family, at $68 per year, $76 on the second component, $90 on the third and $160 on a single-family. If the reserve was available, the saving would probably be closer to 15%.

Mr. Bulleit presented the "Financing Considerations", on Page 10. If the reserve accounts were available there would not have be an increase in the par amount greater than what is currently outstanding. On a lot of transactions, it is common to issue more bonds than are outstanding to pay for all the costs, similar to when a mortgage is refinanced and the points may be rolled to increase the par amount of the loan but the annual payments are significantly lower. With the reserve account there would not be a need to go through 170 and the par amount of the new debt would be less than what it is, currently. Regarding "Matched Maturities", the debt was not extended. The Cost of Issuance would not-to-exceed 2% and 50% of the debt would be released. Assuming for deferred costs it would mean those funds would not be available for the District's purpose.

Mr. Bulleit presented, for the record, the required disclosures, under G-17 Rules, on Pages 12 and 13. It is a requirement, by G-17, to underwrite, on a fair basis with the issuer and investors. The primary role is to purchase securities, which are evenly distributed, on an arm's length basis. Essentially, the fee that is paid is a public finance fee and then investor bankers get paid to sell the bonds but does not make more money if the rate is higher or lower; the fees are built into the transaction. The Underwriter does not have a fiduciary duty to the District but would be required to be fair and reasonable in the price and balance fairness between the District and the investors. The rules must be followed in the Offering Statement for the SEC and MSRB rules, as far as disclosure. The Underwriter's fees contingency would be on the par amount of the debt, which means there is somewhat of a conflict, as they we could make more money by increasing the par. There are no undisclosed payments to any third party to help MBS and FMS get hired or appear here today. There is no profit sharing with investors. There would be no default swaps and "gift-giving" is not allowed.

Working with Mr. Kessler, Mr. Bulleit would probably, within a week or two, have more concrete information, based on balances and District structure.

Mr. Freedman asked about the bonds not being callable until May. Mr. Bulleit responded, if it was not necessary to increase to greater than the outstanding par, then these financings could be accomplished in 45 to 60 days. If the process started today and was completed by November 1, the transaction would be closed, new bonds would be issued, those bond proceeds go in an escrow account, a verification agent verifies that there was sufficient money, plus interest earnings or money for the interest due May 1, 2017, which sits in a separate trust account and is off the balance sheet of the District, and new debt would be recognized. The primary issue is that Mr. Wrathell stated that the budget must be submitted by September 12, in the worst case September 15. The refinancing could not be accomplished by then but could be anticipated to be completed by November, though this will not beat the budget issue but that issue may have been solved. Mr. Wrathell stated applying the extra cash in the revenue account, would be about as close as the District could get to beating it, right now. The refinancing should be completed, as the interest rates are incredibly low, right now, and it is uncertain if the Feds are going to raise rates, which may be by December. The CDD should move forward through the advanced refunding and lock in the savings that protects against future interest rate increases. Mr. Guilda asked at what point would the interest rate be locked in during the process. Mr. Bulleit stated by day 45 or 50. If the Board decided to proceed today, the process would start immediately. Probably, at next meeting or in a month, Mr. Bulleit would discuss a bank commitment, an underwriting estimation for the residential piece, present documents and ask the Board for authorization to complete the transaction, within these parameters, which would be not-to-exceed the current maturity of the bonds, not-to-exceed the fees that the Board agrees to, at the next meeting, not-to-exceed a targeted level of savings, such as a 15% present value savings, or the Board would approve these parameters and delegate to the Chair to execute documents. Later, the investment bankers would post the offering statement in the market and price those bonds 10 days later. Once priced and locked in, the Chair would sign a contract, the investment bankers would sign it, and all of the documents would be prepared for the unofficial closing, the bond proceeds would go in an escrow and sit there to pay the May 1, 2017 payment.

Mr. Freedman asked for further explanation, in terms of going public offering for the residential part, versus bank placement. Mr. Bulleit stated the banks would buy the commercial property because they have the vertical commercial property and do not want non-vertical. The

underwriting market, now, such as for raw land, with no infrastructure in the ground, is around 5.25%, so, if a new deal was done, with raw land, and a home was not going to sell for a year, it would be around 5.25%. The market understands, in this type if deal, it would be way further down in credit, with the infrastructure is in the ground, ready to build, it is about 100 basis points better but the banks would not touch it.

Mr. Markey asked Mr. Bulleit to elaborate about the relationship between FMS and MBS. Mr. Bulleit described the relationship as "friendly" and, sometimes, "competitors". The two companies have had transactions where their strengths were coterminous, there are certain strengths and, in this particular deal, take a wholesale approach, which would be feeding the banks and the underwriting system to determine what is the best deal. Mr. Bulleit explained the collaboration of MBS and FMS.

Mr. Markey suggested, going forward, reviewing the numbers and meeting in a week. Mr. Bulleit suggested meeting and figuring out the structuring element of the cash in the reserve account and whether there is any deferred obligation. Mr. Freedman stated the goal would be to get closed and escrow no later than October 31, if possible, which is quick. Mr. Bulleit stated if that reserve is available, the par does not need to be increased; however, if the par is increased, then notice must be made so it could be achieved. Mr. Wrathell recommended authorizing Staff to work with the Underwriter to proceed with the concept of the refinancing. Mr. Markey asked if, in terms of the numbers for the other professionals involved, the normal of cost of issuance would be looked at. Mr. Wrathell stated a methodology would be prepared, which would be cheaper than a typical new dirt deal. Bond Counsel would still be involved. Mr. Bulleit stated the estimate was $170,000. Mr. Freedman felt that this must be looked into, in a little more detail. Mr. Bulleit stated, if the Board meets in one week, it gives time to obtain more concrete fees. Mr. Bulleit stated that, two months ago, no one was chasing these transactions; it was never thought that rates would be this low. When rates get this low the sensitivity of savings is very sensitive. With 50 base points one way or the other, the deal could be gone. Now a nonrated to nonrated refinancing, with a nonrating debt issue, could be completed. A nonrated debt and 150 underneath needs to be met, as this could go away, quickly.

On MOTION by Mr. Freedman and seconded by Mr. Einfalt with all in favor, authorizing Staff to work with the Underwriter and the Chair to proceed with the refinancing process, was approved.

On MOTION by Mr. Gielda and seconded by Mr. Einfalt, with all in favor, scheduling a Special Meeting for Wednesday, August 31, 2016 at 10:00, at this location, was approved.

THIRD ORDER OF BUSINESS **Other Business**

There being no other business, the next item followed.

FOURTH ORDER OF BUSINESS **Next Meeting Date: August 23, 2016 at 10:15 A.M.**

The next meeting was scheduled for August 23, 2016 at 10:15 a.m., at this location. The meeting might be cancelled, if not necessary.

FIFTH ORDER OF BUSINESS **Supervisor's Requests**

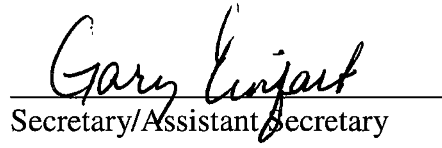
There being no Supervisors' requests, the next item followed.

SIXTH ORDER OF BUSINESS **Adjournment**

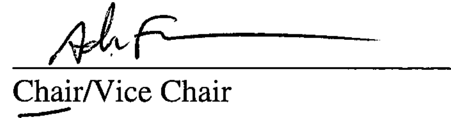
There being nothing further to discuss, the meeting recessed.

On MOTION by Mr. Einfalt and seconded by Mr. Freedman, with all in favor, the meeting adjourned at 10:37 a.m.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]



Secretary/Assistant Secretary



Chair/Vice Chair