

ROLLING HILLS
COMMUNITY DEVELOPMENT DISTRICT

A special meeting of the Board of Supervisors of the Rolling Hills Community Development District was held Thursday, September 17, 2015 at 4:55 p.m. in the Rolling Hills Amenity Center, 3212 Bradley Creek Parkway, Green Cove Springs, Florida 32043.

Present and constituting a quorum were:

Jody Smith	Vice Chairman (by telephone)
Rose Bock	Supervisor
Kurt von der Osten	Supervisor
Stephen Grossman	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel

FIRST ORDER OF BUSINESS

Roll Call

Mr. Oliver called the meeting to order at 4:55 p.m.

SECOND ORDER OF BUSINESS

Audience Comments

There not being any, the next item followed.

THIRD ORDER OF BUSINESS

Actions Relating to the Restructuring of the Bonds

Ms. Buchanan stated if you recall we issued our initial bond series in 2006 and we are attempting to break out those bonds into different portions, there will be the 2015 A-1 and that will go on residents' land and that will result in a zero change to their assessments, the interest rate, the term or principal of the bonds. There is the 2015 A-2 and that would relate to specific lots owned by the developer. There will be no net change to the interest rate and term or maturity date.

The remaining portion of the 2006A Bonds is levied against the unplatted land and this large portion of proceeds that relate to the unplatted lands is going to be exchanged, they will no longer be current interest bonds they will convert to what is called Convertible Capital

Appreciation Bonds. There will be two changes to those bonds, first there is forbearance money that was wrapped up in the balance of the bonds that hasn't been paid for about 2 ½ years and that delinquent principal and interest is going to be added to the sum total of the 2015 A-3 Bonds that are assessed against the developer's land. It is going to result in an increase in principal for those lands and secondly there will be what is being referred to as a resting period, meaning that the increase in principal won't be due immediately like your mortgage would be payable immediately. It is suggested that there is going to be a three year delay before the district is required to make its debt service payments but during those three years the principal is going to accrue interest so it will be an increase in principal based on the addition of the forbearance principal and interest and it will be a secondary increase because it is going to accrue over the three years. The bondholders are in agreement with this and willing to do it because the ultimate payment they will receive is greater than they would have originally gotten they just have a three year delay for it.

The bottom line is only the developer's lands will be affected by this change so the developer is going to provide the district with a consent to this transaction. As none of the residents or end users are going to be affected there is no consent or notice required for those parties.

That is the legal principal and what we are going to do today is kick off the assessment process. You have a report in front of you that details how the assessments are going to be broken out and I summarized it for you but we can walk through it in greater detail. Then you have a resolution that declares the district's intent to levy assessments and once we adopt that resolution we will adopt a second resolution, which sets a hearing date. At that hearing any person who is affected, which in this instance will only be the developer can come and raise objections. It is a statutory process we are required to do it by law, we do not expect that they would have any objections since they are steering the ship.

Once we go through the methodology, the declaring resolution then setting the hearing date we should be able to move forward over the next 30 day period in finalizing the methodology, making sure our numbers are correct and moving forward with being prepared to issue bonds shortly after 30 to 45 days.

A. Supplemental Assessment Methodology Report

Mr. Oliver stated what you have in front of you is the assessment methodology. It is in draft form and was revised this afternoon. The report goes into more detail of what was described by Katie and this is broken down into sections, one is a narrative section, which talks about the process and history of the district and then we have a series of tables in back of the narrative. Inside the table of contents you will see the executive summary and essentially what you are doing is taking the Series 2006 Bonds and they are being broken out into four different bond issues, three A issues and a B issue. This, 2015 A-1 and A-2 does not impact the first two issues, it is going to be the same debt, same assessments so homeowners are not going to be impacted by this. It is the 2015 A-3 Bonds that are impacted and those are the undeveloped lands that are owned by the developer as well as the 2015 B Bonds and the interest that has accrued to this point is going to be added into the principal and interest on that will accrue for the next three years before those interest payments start to be made.

Section 1.1.3 talks about the Series 2006 Bonds that were issued shortly after the district was established and it talks about the fact that the Series 2006 Bonds were A and B bonds, or builder bonds and that was based on the engineer's report that was done by Hadden & Land Engineering. Keith Hadden will be at our next regular meeting October 7th as well as the public hearing we will have later in October.

Section 1.1.4 talks about the restructuring that Katie discussed and as you get into the details of that you will see that the 2015 A-1s and A-2s are not going to have any type of change they are going to be the same assessment level. Further down you will see the Series 2015 A-3s on the undeveloped acreage and those are the ones that are changed and we will see the actual changes when we look at the tables.

When Keith prepared the original engineer's report, otherwise known as the Capital Improvement Plan, we were able to determine that each of those lots had a benefit of \$54,761 and the assessment on some of these undeveloped lands are going to go up because of the additional principal on those A-3s it still falls below the \$54,761 threshold and the benefits exceed what the assessments will be on those lands.

In Section 1.3 it says that there are requirements for a valid assessment methodology and the two requirements are properties assessed must receive a special benefit from the improvements paid by the assessment, which they do and the second is that the assessments must be fairly and reasonably allocated to properties being assessed. There is a lot of latitude in that

but that is why we do this in the form of an assessment methodology to show what the allocation process was.

Section 2.1 shows what the development plan is eventually 761 platted lots.

The bond description breaks out the four different series that are in the 2015 and this goes into detail of what Katie was discussing. The A-1s and A-2s those that do not have any change in total debt or in the assessments are going to be issued at a rate of 5.45%, the A-3 convertible appreciation bonds are going to be at a higher rate that will be 6.75%. Finally you see the series 2015 Bonds paid for by the developer and it has an estimated 6.75%.

Below the B Bonds as these lots in the -2 Series are sold to builders at that point they will pay off the B Bonds for each lot.

Mr. von der Osten asked could the undeveloped lands wind up with a higher debt, when the homeowner closes he can have a higher debt than the landowners up front?

Ms. Buchanan responded correct.

Mr. von der Osten stated but they are receiving the same benefit.

Ms. Buchanan stated they are receiving more benefit than they are paying for. It shouldn't be a problem but we will make sure that our final methodology addresses that.

Mr. Oliver stated the benefit still exceeds the cost.

Section 3.1 talks about the asset allocation and the 2006 report showed that the unit count was 761 and the breakout is going to be as we talked about before and you will see those on the table.

The true-up mechanism for example the A-3 Bonds has 439 units and you issued debt based on 439 units but if the developer decided they are only going to develop 400 units then you have a big hole to fill and the developer would have to pay the difference, pay off the debt on those remaining units to true that up so that the district doesn't have a hole to fill paying back the bonds.

Mr. Oliver stated let's look at the tables. There might be a slight change to this table in the final version you see tomorrow. This is a draft and can still change up to and through the public hearing that we have in October. If you look at the table showing 761 lots it has a breakdown, but we want to change a couple numbers. It is showing lots that are paid off, the A-1 lots should reflect 163, the A-2s which are also overlaid with the B Bonds that should drop to 126 so you are increasing one by 3 and reducing the other by 3 and the A-3 lots remain at 439.

On Table 2 a couple changes, in the first column for the A-1 Bonds that should be 5.45%, right below that the final maturity should be 2037 and the same change for the next column for the A-2s 2037 maturity date. Column A-3 is fine and for the B Bonds the maturity date should be November 1, 2019.

Ms. Bock asked but the A-3s should be 2037?

Mr. Oliver stated yes.

Ms. Buchanan stated just to point out that is the original expiration of the bonds, 2037, we haven't extended and we can't at all.

Mr. Oliver stated those are the rates, that is the maturity date, estimated par amount of debt. The next column shows what the debt service would be each year. You see zero for the B because those lots are paid off. Then it shows the reserve fund requirements for the A-1 and A-2.

Table 3 is for the A-1 Bonds and I think previously we mentioned 163 units. Where you see the 2006 par debt of \$15,348 that is what the par debt is for each of those lots. Go over about five items that should be the same for the 2015 A-1 par debt per unit, it shows \$11,500 and it should be \$15,348 the same as it is right now. It should be the same thing for the assessment per unit \$1,277 and that is in the column third from the left then as you go fourth from the right you will see that remains at \$1,277 so the last two items on that chart change in debt per unit should be zero because it is going to remain at \$15,358. This is showing those current homeowners are not going to have any change in assessments or debt.

As we go through Table 4 for the A-2 ultimately we are going to have the same debt for those and both of them should be \$15,348, which is the same as the A-1s. The assessment stays at \$1,277 so the second column from the far right change in debt service should be zero. That unit count that shows 129 should be 126.

Table 5 there is one change and these are for the A-3s these are the undeveloped lands for the A Bonds and the gross annual assessment per unit we have \$1,298 and that number should be \$1,315.

I will adjust the change in assessments per unit accordingly going up from the \$687 to \$1,315.

Finally Table 6 are for the Bs and this is the most significant increase and the unit count will be the same as it is for the A-2s and you will see the par debt per unit is rising from \$14,888

to \$18,166. These are the units that are put in the existing uncollected interest and penalties onto the principal and then you are going to have interest accrue for the next three years before interest and principal payments are made so the debt is increasing.

There have been a lot of adjustments on this report but we are where we need to be with this. We may have changes as we go through the process in the coming days.

Ms. Buchanan stated the most important thing that we do here is highlight the maximum so we can get the notice out because understand that the notices we have to send say this is the maximum of assessment, they are only going to the developer, the developer is part of this process so they will understand or be aware of any changes so long as it doesn't trip the master they will be fully informed and be able to attend the hearing should they have objection, which they won't because they are part of the process. I want you to understand the net effect of all of this is that we are setting a maximum, the developer is the only party effected and we will have a very clean version for you at the hearing which the developer will be on notice about.

Mr. von der Osten asked when will this be in effect?

Mr. Oliver responded after a late October public hearing.

Ms. Bock asked we will talk about this in the October 7th meeting?

Mr. Oliver stated we will have an update at that meeting. We will likely have several residents at that meeting and it will be good for them to hear again that this process is not going to impact their assessments.

B. Consideration of Resolution 2015-08

Ms. Buchanan stated Resolution 2015-08 is before you and Section 170.02, Florida Statutes requires that any local government have a resolution actually declaring its intent to levy special assessments before it can do so. We have gone through some of the history and noted that we previously adopted an improvement plan and previously issued 2006 Bonds and those bonds were secured by the original assessments. We have noted that because the developer was subject to a forbearance agreement that we haven't collected on all of those assessments and the last whereas clause on page 1 notes the developer and owner of the bonds have requested the district work out a new structure for a portion of the 2006 bonds because of the current economic environment.

You will note that the district with this resolution would determine it is in its best interest to implement the restructuring as well.

On the next page the second whereas is sort of the meat of our intent so you will note that corresponding 2015 A-1 Bonds will be the same rate and maturity, the 2006As will be exchanged for the A-2s at the same rate and same maturity. The 2006 As that will be exchanged for the A-3s will include an increase in principal and interest but retain the same maturity and finally the 2006 Bs will be inclusive of an increase in principal and interest and they will be attached to the land securing the A-2 Bonds, those are the developer lots, again, still no resident lots affected.

Until our assessment process is done our original assessments will stay in place, this is something that is a predecessor to change. Our power to do this is 190 and 170 and we thereby determine that the benefits will accrue to the property that are less than or equal to the amount of the assessments that we levied.

Page 3, this is the action you are taking. Section 1 will determine to levy assessments to defray the cost of the improvement plan because understand the 2006 Bonds paid for improvements so these are exchanging the 2006s. The district's records office has files that would explain in detail the improvements. We are not doing a new engineer's report here because we are not changing any of the improvements onsite, this is solely related to the financial matters. The total cost of the improvements that are in the ground at this point is \$32,959,308. Of this amount the 2015 special assessments are going to defray only a portion of those amounts, some of them have previously paid and some of them were funded by the developer as well. Jim, do you have that number?

Mr. Oliver responded \$12,178,888.

Ms. Buchanan stated I request that we make one change to section 5 basically it says the assessments will be apportioned and paid as set forth in Exhibit A and what I would like to add behind Exhibit A is the form of which is approved herein because we just walked through the changes I want to make sure we have the authority in this resolution to give you the correct form.

It makes a finding in Section 6 that they are going to be levied on lots that do benefit from the improvements and it also declares that there will be no new assessments levied on lots for which assessments have been prepaid. There are 33 here who have paid down the debt already and this is assurance to them that they don't have to come back and pay more. The

district has a plat on file with the assessment office and in Section 8 you will see that we certified that they are going to be paid in a period not more than 22 years and that is because of the statutory 30 year cap we are continuing the same term. The district manager has a preliminary assessment roll on file, which he will prepare in conjunction with the supplemental assessment methodology and there is a finding that we are going to adopt a subsequent resolution with the date and time for the hearing. Lastly, the district manager is required to publish this notice as well as mail the notice that is required by Florida Law.

On MOTION by Mr. Grossman seconded by Ms. Bock with all in favor Resolution 2015-08 was approved.

C. Consideration of Resolution 2015-09

Ms. Buchanan stated the next resolution is 2015-09 that basically says we have previously adopted 2015-08 and in accordance with that resolution we want to set a public hearing at which any person that is affected by these assessments can come and submit comments or objections. It also directs Jim to notice that public hearing again by mail and publication. All we need to do to complete this is to actually pick the date of the public hearing and it will need to be 35 days out. I think we were looking at October 19th.

Mr. von der Osten asked can we reschedule the October 7th meeting?

Ms. Buchanan stated we could do that.

Mr. Oliver stated I would rather not move one of their regular meetings.

On MOTION by Mr. Grossman seconded by Mr. von der Osten with all in favor Resolution 2015-09 setting the public hearing for Thursday, October 22, 2015 at 1:00 p.m. in the same location was approved.

Ms. Buchanan stated we will circulate cleaned up documents for you shortly so you will have it for your records and we will make sure correct versions are included in the district's files as well. The notices will probably go out on Monday and that will give us plenty of time for our 30 days and we expect this will be published in the Clay Today on Thursday a week from today. The paper probably won't distinguish which lots are going to be subject to the assessment.

FOURTH ORDER OF BUSINESS Supervisors Requests

There being none, the next item followed.

FIFTH ORDER OF BUSINESS Audience Comments


There being none, the next item followed.

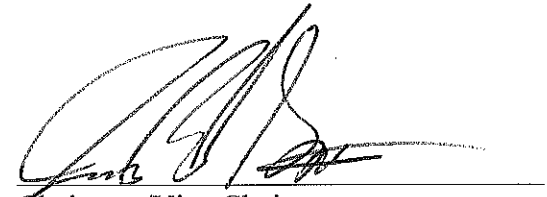
SIXTH ORDER OF BUSINESS Next Meeting Scheduled for October 7, 2015

@ 6:00 p.m. at Rolling Hills Amenity Center

Mr. Oliver stated the next scheduled meeting is October 7, 2015 at 6:00 p.m.

On MOTION by Mr. von der Osten seconded by Mr. Grossman
with all in favor the meeting adjourned at 5:30 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman