

MINUTES OF MEETING NORTH SPRINGS IMPROVEMENT DISTRICT

The regular meeting of the Board of Supervisors of the North Springs Improvement District was held Thursday, September 12, 2013 at 5:00 p.m. in the district office, 9700 N.W. 52nd Street, Coral Springs, Florida.

Present and constituting a quorum were:

David Gray	President
Vincent Morretti	Secretary
Mark Capwell	Assistant Secretary

Also present were:

Doug Hyche	District Manager
Dennis Lyles	District Counsel
Rod Colon	Director of Operations
Jane Early	District Engineer
Dave Green	CH2M Hill
Brenda Richard	District Clerk
Nick Schooley	Drainage Supervisor
Donna Holiday	GMS-South Florida, LLC
Kevin Mulshine	MBS Capital Markets, LLC
Denise Ganz	Greenspoon Marder

FIRST ORDER OF BUSINESS

Roll Call

Mr. Hyche called the meeting to order at 5:00 p.m.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the August 7, 2013 Meeting

Mr. Hyche stated the next the next item is approval of the August 7, 2013 meeting minutes.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the minutes of the August 7, 2013 meeting were approved as presented.

THIRD ORDER OF BUSINESS

Public Hearings

A. Public Hearing to Adopt the Fiscal Year 2014 General Fund, Heron Bay Commons, Parkland Isles, Heron Bay Mitigation and Debt Service Budgets

Mr. Hyche stated the next item is public hearings. This is a public hearing to adopt the proposed general fund, Heron Bay Commons, Parkland Isles, Heron Bay Mitigation and debt service budgets.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the public hearing was opened.

Mr. Hyche stated the public hearing is opened. Are there any comments or questions? Not hearing any I would like the board to consider Resolution 2013-13 adopting the general fund budget for fiscal year 2014.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2013-13 adopting the general fund budgets for fiscal year 2014 was approved.

Mr. Hyche stated next is consideration of Resolution 2013-14 levying the non-ad valorem assessments.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2013-14 levy of non-ad valorem assessments was approved.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the public hearing was closed.

B. Public Hearing to Adopt the Fiscal Year 2014 Water and Sewer Budget

Mr. Hyche stated item B is the public hearing to adopt the fiscal year 2014 water and sewer budget.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the public hearing was opened.

Mr. Hyche asked are there any public comments or discussion? Not hearing any I would like a motion to approve Resolution 2013-16 adopting the water and sewer budget for fiscal year 2014.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2013-16 adopting the fiscal year 2014 water and sewer budget was approved.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the public hearing was closed.

FOURTH ORDER OF BUSINESS

Presentation by MBS Capital Markets, LLC – Reuse Facility Financing and Wedge Improvement Financing

Mr. Hyche stated the next item is a presentation by MBS Capital Markets, LLC.

Mr. Mulshine stated my job today is to give you an overview of what you will be doing for the rest of the fall until Christmas. What we want to discuss today because you have several public hearings on the agenda and you will have more on October 9th, etc. we wanted to discuss two different items and put it in context for you. The first

thing we are talking about is financing the new reuse wastewater treatment plant, which will be located in the Wedge area that we are working on. The second item we are going to talk about is a special assessment program to acquire and build some improvements, stormwater, etc. in the Wedge area.

The engineers' best estimate right now is that it is going to cost about \$37,966,000 to build the reuse plant. Normally, we present the easiest financing alternative, which is just issuing water and sewer bonds like you did back in 2011 to secure this and that would be bonds secured by the monthly rates of the customers. The debt carried by the system right now is right at \$48 million; I just wanted to give you that overview. If you will remember in 2011 you refinanced that rate down to 3.23%, obviously a very attractive rate. The really nice thing is all of your debt matures by October 1, 2031 so your debt all comes due in the next 18 years although the assets are 50 and 60 year life assets. We have capacity, we have a conservative financial structure to finance this facility, however, your staff made it very clear that we wanted to minimize the use of any debt and anything that could ever have an impact on the current rate payers to pay for new capacity in the system. Therefore, we wanted to give you the overview of the financing alternative of using the system rates but then we wanted to present how the plant will be financed.

We are going to minimize the issuance of debt for this facility. We took a look at your connection charges and right now if a developer walks in anywhere in the district he pays about \$3,000 for wastewater and water plant capacity. Obviously, with new facilities the incremental cost of those new facilities is much higher today based upon the \$37 million construction figure. If we build a 1 million gallon a day plant it will support about 3,300 homes and also provide for an operating reserve. It is simple division, you have plant costs as the numerator the number of units it can support the denominator it comes out to about \$11,391 this is just for reuse and wastewater capacity for each single family unit.

Mr. Gray stated you said the plant will support that. How many homes will actually be included in the area we are covering?

Mr. Colon responded right now the proposed plan is 3,333 homes. Obviously, not right away, right now we are sizing the plant for the two builders, Lennar and Standard Pacific that are going to be building right away.

Mr. Gray asked the total package from all the builders out there for planned homes right now is 3,333?

Mr. Colon responded that is correct. The reason that number jumped is because they are planning on a little area as an adult community where they might get four per acre and that is why the number increased from the previous projections.

Mr. Mulshine stated in accordance with this plan is 100% of the plant will be paid for by new connections as they come in and pull their building permits. That is what you are going to be addressing today a rate resolution, which will change the charges that builders will be charged when they walk in for a building permit and that is district-wide not just the Wedge because everybody needs that capacity and it is one system.

Next is the connection charge table of the adopted rates and it has the \$11,391, we have the meter fee of \$400, which will be addressed in the next meeting today we are just going to address the connection charges. You will also notice a proposed connection charge for water \$558 that is based on your historical costs. The engineers will probably be coming back in the next couple of months with an increase to these rates to reflect the cost of the new facility that is being built. This is based on historical costs you are probably looking at an increase in that due to the new facility coming online. Right now we analyze the cost of the new reuse facility. With the plant being totally paid by new development the next page is the rate resolution you will be looking at then you have another thing that will be coming back to you in the next month or two and that is you have the financial question if I need \$37 million to pay for a plant it

is great that the construction of all these homes are going to pay for it but I have to build a plant before the homes are in place. Therefore, we are asking all of your developers to enter into a connection charge reservation agreement where they agree to these fees in return we will be giving them a locked in rate of the \$11,391 we will also be guaranteeing them the use of the capacity and we are also saying the wastewater facility is our business as the utility. What they are giving us back for that is they are going to prepay their connection charges on a schedule. Those are agreements you will see come back in the next month or so and those agreements will actually be backed by Letters of Credit. Between Lennar and Standard Pacific there will be about 2,000 of those 3,000 units so there will literally be in the next two months about \$22 million to \$25 million of Letters of Credit posted against that \$37 million construction cost. It is a two step to pay for that plant. One, is tonight the rate resolution increasing the connection charge, step two over the next two months you will be adopting agreements with the developers where they agree to prepay those charges when you need the funds for both engineering and for construction.

Mr. Gray asked has that been discussed with all the builders?

Mr. Lyles responded yes.

Mr. Mulshine stated right now Dennis's office has a contract for signature with all the developers. Right now they are commenting back so Dennis will filter all the comments and come to one contract.

Mr. Lyles stated the only reason why that is going to be in all likelihood in October as opposed to September is there has been such a massive undertaking regarding all the financing, all the moving parts and we prepared the document, it is out there being reviewed, we just haven't had a chance to get all the comments back and it may be tweaked in a certain respect between now and then. It wasn't going to be ready for tonight but we don't need it tonight. We need it before we get going and we

will have it but there is a lot of paper and a lot of legal work and internal financial review going on with these developers and their professionals.

Mr. Gray asked but they are aware of the cost?

Mr. Lyles responded yes. The numbers were in their lap months ago, the details of the agreement have followed the discussions and the many conferences that have gone on both with management staff, legal, engineering so once they got over the hump of the numbers it is just a matter of what is going on now, which is getting all the details in an enforceable agreement that everybody is comfortable with. There are no surprises coming their way.

Mr. Capwell asked on the total facility cost what if there are cost overruns? Is our contract with the developers going to cover that or is that going to be covered by NSID?

Mr. Lyles responded in a sense we are establishing a charge that assumes contingency and good projections on costs and a buffer to protect the district. We in all likelihood will come in under this number but if for some strange reason the world changes and it goes up we either have to absorb it somehow or we will go back to them and say it can't work we need to amend what we have. We don't have a sliding whatever it ends up costing us your fees automatically go up, we would have to go back to them. They want to build these homes. That is a good question.

Mr. Gray stated the world does change sometimes as we have learned in the last five years. We basically take in money and spend money so if we spend more than we take in we have to take it in somewhere else.

Mr. Lyles stated in anticipation of your question we don't have the obligation to take it out of our general fund revenues or otherwise generated revenues under any scenario.

Mr. Gray stated we can levy on the actual homebuyers themselves ultimately.

Mr. Lyles stated yes.

Mr. Mulshine stated when you switch to this system where you are financing 100% of the plant from these capacity fees and if you talk about 3,000 customers they will generate somewhere around \$3 million a year revenue to the system. The incremental cost to serve them will be very small so you really have a great margin built in as soon as you switch to a system where the system is being paid for with these connection charges.

Mr. Lyles stated yet an additional margin other than the one I mentioned to you. I think we have several backstops to keep our actual outlay under control of the total that is going to come in to the charges, the ongoing service fees that we will receive from these 3,000 homes.

Mr. Mulshine stated also I will point out that if the cost of the plant comes in at \$36 million it is not like we are going to give the money back either we will be using it for other expansion projects. Basically the developers will be paying 10% of their connection charges upon execution of the agreement and they will pay the other 90% when the district is ready to let a contract but the entire contract will be secured by a Letter of Credit so that we can get the money either way from the developers. We didn't want to have direct exposure to any one development company so there will be a bank Letter of Credit securing it.

Mr. Gray asked on the prepayment and Letters what is the plan for when the money comes in versus expenditures?

Mr. Mulshine responded if I could use some rough numbers, if Lennar for instance has 770 units on day one they will prepay 77 homes so 77 times \$11,000 is somewhere around \$800,000 they will put up in cash. They will then also post a Letter of Credit for the other 90% \$11,000 times 700 somewhere around \$8 million, they will post a Letter of Credit for the remaining balance of \$7.2 million. When you are ready to issue construction you are going to say you have 30 days to deposit the \$7.2 million so we can construct the facility.

Mr. Lyles stated it might also be good to remind everyone at this point that in other financings and other transactions this money has been in the district's hands at permitting, we have advanced that. We are not going to wait until they pull permits. We are going to have it at the notice stage and they have agreed to that even though it arguably works somewhat of a financial negative factor on their side. To make this certain and just for the Wedge Kevin actually sold that to the developers and that puts us in a more advantageous and safer comfort zone.

Mr. Mulshine stated the last provision on that is we are also going to put a drop dead date in since we don't know how lawsuits go with counties there will be a drop dead date somewhere around three years so somewhere around 2016 the developers will have to pay the other 90% come hell or high water. Obviously, while they are building the homes they will still have to pay it is just that this would push an acceleration of that if we need the funds.

When you ask developers to put up \$8 million upfront so you can construct a sewer plant and they can build 700 homes they always say this is a real tough time cash-wise can you help us out. They will post that it is totally separate and it will be secured by a Letter of Credit. What we have agreed to do much like we have done in the past with Heron Bay North and some other areas is we have agreed to help them with some assessment and water management financing to help finance some of their stormwater assets as far as the stormwater system side. Then also some of their water and sewer onsite lines, some sidewalks, other things through assessment financing so that they can finance things very similar to what you have done in the past in so many developments, Heron Bay, etc. and that is the second thing we wanted to talk about. There will be a lot of public hearings in the fall on that as well. Once again, that is why we didn't want to confuse the two issues they are totally separate and apart from each other.

Bonds will be issued in multiple series secured by the assessments levied on benefited properties within water management areas in the Wedge area. These will be

bonds secured only by the assessments as you have done in the past only by the assessments levied upon the lands of the developers. It will not be secured by any other revenue source or general funds of the district. There will be no recourse to NSID. The water management bonds will finance the water management system for the benefited parties. If anybody has seen a plat or site plan for the Wedge you will notice for instance in the Standard Pacific project there is a 125 acre lake, it will help finance some of those facilities.

Mr. Gray asked an annual assessment of \$1,600?

Mr. Mulshine stated the developers have been disclosing to their buyers an annual assessment of \$1,600. You levy about \$104 for maintenance and about \$1,300 will go to debt for these stormwater and all the other facilities. That would be the security for the bonds. Obviously, that gives them a little bit of cash flow relief so they can repay these \$11,000 reuse facility charges.

Mr. Gray asked they are disclosing the \$1,600 assessment to their buyers right now?

Mr. Mulshine responded yes, they will disclose that the debt service will be no more than \$1,400 and that they estimate that all in it will be \$1,600 because your budget is going to fluctuate on the maintenance side, it could end up being \$1,605 but the debt service will be a not to exceed number.

You have special assessment powers over 20 years and water management powers to issue bonds over 30 years so we are going to layer the two together so that they create one revenue stream supported by that \$1,400 a year. That is how the bonds will be structured. The assessments will be disclosed, Lennar is already disclosing them and so is Standard Pacific and the timing on this financing is driven totally by statutory structure, public hearings that need to be held to establish the areas and to go ahead and levy the assessments. We anticipate coming back and doing those financing items sometime in December around the end of the year to actually finance the assessment

program. I wanted to provide the overview of the assessment program, the overview of the utility program, two totally separate programs and then hand it over for the last area, the critical path items. Denise is now going to put all these public hearings and all these actions into context.

Mr. Lyles stated back to the top of the page, assessment and water management financing terms, we developed kind of a vernacular with so many players. We have two different kinds of bond issues we are going to be putting together for this. One has a 20 year time limit on it and one has a 30 year time limit. It is referred to as special assessment bonds for 20 years that is under our special act and the next line says, water management bonds, those are also special assessment bonds they are based on assessments against the property but they are going to amortize over a longer period of time. They are going to go up in that last 10 year period when the 20 year bonds are paid off but I wanted the board to understand it is not that some are special assessments and some are something else, they are all special assessment bonds and you are going to follow that special assessment process. The real distinction is between our special act and the general law on these kinds of bonds we have a 20 year limit for some and a 30 year limit for others but they are in fact both special assessment bonds. It is just that water management has that 30 year time limit and general infrastructure, water and sewer lines, roadways, things like that is a 20 year bond.

Mr. Gray asked considering what we are dealing with the current litigation and we are talking about reuse facility and agreements on it how are we covered?

Mr. Lyles responded we are not going to do that until the litigation is concluded. These things that we are talking about on this page are not affected by that litigation. We are not going to just march forward without that litigation being resolved.

Mr. Gray stated in your current discussion with the builders you must have some either/or scenario.

Mr. Lyles stated there is an either/or from our end, which is we are either going to build this plant or we are going to build other infrastructure. One way or another they have to have reuse and we are the entity involved in that.

Mr. Gray stated I'm just questioning that we have actually had the conversation, laid out the different scenarios so everybody involved is aware of the different possibilities.

Mr. Colon responded the way the connection fees are structured and the resolution is that we have the flexibility to build the reuse facility or we can use it for other related projects but definitely not refund the money. If we lose the lawsuit that means we would have to use those connection charges to upgrade capacity at the county so that we can take in more wastewater from the Wedge and we would use the revenues from the connection fees to go ahead and do that so the rest of the district wouldn't have to assume those charges.

Mr. Gray stated so the connection fee remains the same either way regardless of the outcome.

Mr. Colon responded that is right.

Mr. Lyles stated because we are going to have a substantial financial obligation to support this new growth regardless of the outcome.

Mr. Gray stated we have a handle on either scenario because we are voting on the increase now.

Mr. Lyles responded we are starting the process tonight for all of this.

Mr. Gray stated we are adopting a rate resolution we are actually adopting the \$11,000 assessment per connection.

Ms. Ganz stated I don't know how you want to handle this but I think the best way is to keep doing what we are doing, which is keep going with the overview that way you will have the whole perspective and then we will get to the agenda items and

there may be some additional presentations within that and it will make more sense to you.

What we are trying to accomplish tonight and Dave and Dennis will speak more about this is dealing with this rate resolution. There was a report that CH2M Hill developed that supports the changes to the rates that you are going to be asked to adopt. When we get to that part of the agenda it probably makes the most sense for Dave to do a brief presentation on his report then Dennis to explain how the rate resolution reflects that.

What we are also going to try to accomplish today is to be able to get the ball rolling on this assessment program that was briefly described to you. In that regard you really have to operate on two separate tracks, one to put in place fixed special assessments that deal with this 20 year public assessable improvement program. Then we have to be able to put water management benefit assessments in place to deal with the 30 year water management improvement program. The fixed special assessment side of things, the 20 year side of things, has a shorter process. Basically it starts with consideration of a master engineer's report that CH2M Hill has prepared and will present tonight that describes the public assessable improvements by assessment area. There are three assessment areas, one for Lennar's property, one for Standard Pacific's property and one for Triple H's property. It includes within that report as required by your special act an allocation of the benefit from the projects that are going to be financed for each area so each area has its own distinct set of projects and that report allocates the benefit through those projects to the assessable property within those three assessment areas. It develops an assessment roll in effect and it takes the costs of those improvements as financed, we estimated financing costs based on information that MBS provided to CH2M Hill assuming some interest rates and basically took the raw costs, added the financing costs and that is what we are going to use for purposes of assessments.

The first thing we are going to do on that side is have consideration of that report and we are going to ask you to adopt the initial assessment resolutions for each of the three assessment areas so there will be three separate resolutions that will begin the process to put those fixed special assessments in place. Once you have considered that assuming you approve the report and these initial assessment resolutions we will provide notice to the affected property owners of each separate area, its own separate notice because everybody basically has a different deal and we will publish notice of the intent to adopt these special assessments at which point after the statutory timeframe has passed we will get to a public hearing on October 9th at which point you will have the opportunity to hear any objections from the public and if you determine it is all appropriate and there are no objections that are either raised or you can deal with them you will put those assessments in place. The beginning of that process is tonight with the report and those three assessment resolutions.

On the water management side of things it is unfortunately a little bit more complicated the way that the special act works it requires you to adopt what is called a water control plan for these three water management areas, they are coterminous with the assessment areas but we are calling them water management unit areas, so we have the assessment areas and three water management unit areas, they are the same property basically. To get the ball rolling on this you have to consider tonight a water control plan that meets certain statutory requirements, which we have vetted and CH2M Hill has prepared and you will consider that and that will detail the water management improvements needed for each of the three unit areas and that process requires more public hearings. What will happen is after considering the water management plan we will be asking you to consider three separate resolutions for each unit area that would say that you have now heard this water control plan you would like to continue to consider it for approval as well as the designation of these three unit areas. We will at that point publish notice of the intent on October 9th to have another

public hearing and mail notice to affected property owners as well as the City of Parkland, Broward County, the South Florida Water Management District as required by your special act. When we get to October 9th assuming there were no objections or if there were you consider them, you would then direct CH2M Hill to prepare an engineer's report on that water control plan that would further drill down into the specific projects the costs of those projects. CH2M Hill has been working on that and we would be prepared to present that at the October 9th meeting for you to at least understand the project but at that point if you want to continue you have to have another public hearing. We would schedule another public hearing for November 13th for you to consider an engineer's report. At that point we would also ask you to impose the water management assessments. That report in turn has a 30 day appeal period that has to expire before we can go forward. We are going to ask you tonight to consider a resolution approving in general terms the authorization of bonds to finance those fixed special assessments and water management assessments. We will ask you to approve the form of an indenture that would go with those bonds. At that point once you have taken that action you can through your general counsel proceed to begin the process for bond validation. We think it is prudent for the district to pursue judicial validation of these bonds to protect the district basically. Florida gives you a procedure where you can go into court, we have done this with all of your other assessment bonds, and you ask the court to basically confirm that you have done the right things in terms of authorizing the issuance of bonds, that the purpose is appropriate, that the security is appropriate and in addition you have undertaken all these procedural steps correctly. We would ask you for that tonight but we wouldn't seek to have the validation hearing until after you have gone through all these procedural steps and the appeal period on the engineer's report has expired. That will give you some timeframes and if we do this all exactly on time the way we expect it is going to take us to the middle of December.

Also tonight we are going to ask you to consider a couple more things. One thing is I have prepared and circulated to the developers who want a bond issue as soon as possible and at this point is just Lennar and StanPac. Other developers have said they can wait a little bit into the future. We are going to as part of this put in place the assessments for the third assessment area, which is the Triple H assessment area but they are not prepared to issue bonds yet but we will get their bonds validated too so it is a more streamline process when they are ready to get their bonds issued. Other developers in the future are going to have to go through this process again. This only deals with these three assessment areas.

I have prepared an agreement and circulated it to developers who are going to want their bonds issued to basically ask them to be responsible for paying expenses including those of the consultants and professionals and your costs for publishing these notices and so on in the event that for some reason these bonds aren't issued. I have explained to them and in one case to Lennar's counsel that you are really serving as a conduit issuer. These bonds are going to be solely paid by the assessments levied on the property, there is going to be no recourse to the district for these bonds and in terms of acting as this conduit issuer you really shouldn't be exposed for the costs of this bond issue because we are really accommodating the developers to do this. They understand that and we are waiting to get some comments back from them so we can finalize this agreement but we are going to present it to you tonight substantially in the form presented so we can at least tell them that you are good with it and hopefully they will not change it too much.

The last thing we want to accomplish tonight as part of this process in terms of what is going to be financed by these bonds involves the acquisition of interests in land mainly for landscape buffers as well as easements for drainage, flowage and storage purposes. For both state law and tax law purposes before you pay for interests in land or easements or acquire land it has to be supported by appraisals. We want you to

know that you are not paying more than you should. Typically we get an appraisal, developer or seller gets appraisals then we take the lower of the two appraisals. I told them it will be the lower of the two. We need your authorization to begin to engage the parties so that we can get the appraisal going.

Mr. Lyles stated one addition to Denise's comments and that is back to the funding agreement for the costs of issuance, while it is uncommon it is not unheard of for a developer to get way down the road with the process after which half the people in this room have spent hundreds of hours working on it and they say we have changed our mind, we don't want to do this after all. If that happens and they just change their mind or the market goes crazy and the rates are too high and they just don't want to do it anymore, it would be too much to pass along at that point they might stop pulling the trigger and say we don't want to do this anymore, thank you very much for all of your cooperation. We don't want to be stuck with bills for all the work that went into it so this agreement would cover that situation as well.

Ms. Ganz stated we have all spent many hours to get it to this point.

Mr. Lyles stated many hundreds of hours and we haven't even gone to court yet, which we will plan on doing if everything goes smoothly tonight.

Ms. Ganz stated there is more detail stuff but I think that is enough for the overview for tonight and as we get to each step along the process we will have more explanation. If you want to go back to the agenda we could start with Dave making a presentation on the rates and his report that supports those.

FIFTH ORDER OF BUSINESS

Public Hearing to Amend the Existing Water and Sewer Utility Rates, Fees and Charges

Mr. Hyche stated this is a public hearing to amend the existing water and sewer utility rates, fees and charges. I need a motion to open the public hearing.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the public hearing was opened.

Mr. Lyles stated our consultant, Mr. Green is going to walk through the study, the basis for the conclusions and then take questions or comments if they come up after that as part of the hearing process.

Mr. Green stated you have a copy of a technical memorandum from CH2M Hill, North Springs Improvement District Wastewater/Reuse Connection Charge, Water Connection Charge and Meter Charge.

This is the report that we prepared addressing the issue of connection fees for the district. It also addresses a meter charge analysis, a meter fee analysis that will be taken up at the next meeting, we are not proposing to change that at this meeting. The report basically talks about what the district is doing in terms of funding the planned improvements in terms of coming up with a new wastewater plan and reuse plan combined. Right now you have a combined water and wastewater connection fee that we are proposing to now split apart and we are looking at the new facilities as what is the cost of providing capacity to serve new growth in basically the Wedge but in the entire service district. We are proposing to break apart your current water and wastewater connection fee into a wastewater and reuse connection fee and then a water connection fee. The wastewater and reuse connection fee is locked together because they are part of the same plant basically so we are running those two together. Basically all of the customers in the Wedge are going to be receiving reuse service along with their wastewater service so it makes sense to have these two locked in together. On the water side you are building a new separate water plant and for right now we are basing the water connection fee based upon your current investment in water facilities to provide capacity for new growth. Once we get down the road a few months we are going to come back and propose a new water connection fee that will be based on the

cost of the new facility that you are currently working on. The proposed connection fee is one in which we are looking at the cost of the new facilities, which are in the order of \$37.9 million and we are expecting that to serve close to 3,333 units and that works out to the figure of \$11,391. Sometimes when we do these calculations you look at whether there are any offsetting costs that the new user would pay once they connect to the system to pay for the plant but in this case there isn't any. They are purely paying for all of their share of that plant through their connection fee. That simplifies the calculation a lot. That is how we came up with the wastewater and reuse connection fee and then the water side we looked at your investment in the major treatment plant and raw water supply facilities that you have on the system and divided that by the capacity of that facility to come up with our proposed fee of about \$558. That is what I would consider an interim fee for a few months until we come back to you with a proposed water connection fee that is going to reflect the costs of the new facility that you are constructing.

Mr. Lyles asked do you want to touch on the irrigation? In the information that was distributed I think there was reference to an irrigation fee.

Mr. Green stated there is an irrigation fee on the water side. Virtually all of the Wedge is going to receive their irrigation water supplies through the reuse system so there isn't a separate irrigation fee for that area but if you do have a customer looking for an irrigation meter or supply in other portions of your service area we do have an irrigation fee for that.

Mr. Hyche asked is there any discussion? There not being any, the next item would be consideration of Resolution 2013-17 adopting the amended water and sewer utility rates, fees and charges.

Mr. Gray stated under the proposed water meter fee it lists the current meter fee at \$500 and the proposed fee at \$400. We are actually dropping the meter fee?

Mr. Green responded yes, you are actually dropping that meter fee and that is a reflection of what your staff tells me is the cost of installing the new meter.

Mr. Colon stated there is no brass basically it is plastic.

Mr. Green stated it is intended to reflect the actual cost of installing the meter. We felt like the resolution was getting pretty complex as it was and we wanted to separate the two.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-17 adopting the amended water and sewer utility rates, fees and charges was approved.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the public hearing was closed.

SIXTH ORDER OF BUSINESS

Approval of Master Engineer's Report for Public Assessable Improvements

Mr. Hyche stated item six is approval of the master engineer's report for public assessable improvements.

Mr. Lyles stated our engineer can give you a quick overview and we are going to adopt separate resolutions but I think the overview can address all of those, what we are talking about now and what these resolutions will start to implement.

Mr. Green stated this is the Master Engineer's Report for public assessable infrastructure in Wedge assessment areas. This engineer's report is intended primarily as information for the potential bondholders. It goes into the official statement for the proposed bond issues and basically summarizes what is being proposed in terms of a set of improvements for each of the three assessment areas. In terms of these publicly assessable improvements we are talking about improvements that primarily the developers are constructing to serve each of their developments. It is water distribution

improvements, sewage collection improvements, reuse distribution improvements and also landscape buffer and sidewalks around the outskirts of the assessment area. As we talked about before and as you have seen on the map there are three assessment areas, A is Lennar, B is StanPac and C is Triple H and we have the description of the planned improvements in each of those areas and what their ultimate cost is going to be and some of those are based on actual bid documents and some are engineer's estimates at this point. Some of these areas are further along in their construction process than others but they are proceeding ahead. I think all of them in good faith are trying to work that out. Basically, the body of the report describes the assessment areas, the planned improvements and then it talks about the apportionment of benefits among each of the property owners in each of those assessment areas and basically all of the apportionment of benefits between the different property owners. We have first an apportionment of the costs for each of the benefit areas then an apportionment among each of the lots in each assessment area. Those are all on an equal charge per unit type basis. I believe Lennar is the only one that has both single family and multi-family units in their development but they are all paying the same assessment per unit. Areas B and C are just single family homes and everyone is paying the same there as well.

The appendices talk about the legal descriptions of each of the assessment areas. Appendix B provides a map that shows the end points and route of each water line, each sewer line, each reuse line and also the location of the landscape buffers and sidewalks. Those are all covered in the maps in the Appendix B. Then we have the preliminary assessment rolls that are there in Appendix C.

Mr. Gray stated I have a question on Exhibit 5.1 interest rate average 6.5%.

Mr. Mulshine stated in the numbers in there we used assumptions and that is the assumption on the interest rate on the bonds. Once again these are not being backed by any other revenue source of the district.

Mr. Gray stated because they are not district backed we are going to have a higher rate because they are just backed by the assessments of the three areas.

Mr. Lyles stated in the absence of any further questions regarding the master engineer's report, which was circulated previously and which is in the hands of all of the board members today although it is not specifically called out on the agenda I would ask that the board take up a motion at this time accepting the Master Engineer's Report for Public Assessable Infrastructure in Wedge Assessment Areas before you move on the resolutions establishing Areas A, B, C and authorizing those actions.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the Master Engineer's Report Public Assessable Infrastructure in Wedge Assessment Areas was accepted.

A. Consideration of Resolution 2013-18 Initial Assessment for Assessment Area A

Mr. Hyche stated item A is consideration of Resolution 2013-18 initial assessment for Assessment Area A.

Ms. Ganz stated this resolution is going to be the same for the next two, it is the initial assessment resolution that is required by your special act. It designates in this case for 2013-18 Assessment Area A it talks about the improvements that are described in the master engineer's report and it says that the project is going to be as set forth in that report, which is attached as an exhibit. It references the total cost with financing costs as reflected in the engineer's report. It talks about the fact that the assessment roll is in the engineer's report, it declares that there is benefit to Assessment Area A from the project and that it is appropriately apportioned and no more than 20 annual installments of special assessments and authorizes the appropriate parties to cause

notice of the special assessment and a hearing to be held on October 9, 2013 to equalize the assessments and publish and mail to the appropriate parties.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-18 was approved.

B. Consideration of Resolution 2013-19 Initial Assessment for Assessment Area B

Mr. Hyche stated next is consideration of Resolution 2013-19 for the initial assessment of Assessment Area B.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-19 was approved.

C. Consideration of Resolution 2013-20 Initial Assessment for Assessment Area C

Mr. Hyche stated item C is consideration of Resolution 2013-20 for the initial assessment for Assessment Area C.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-20 was approved.

SEVENTH ORDER OF BUSINESS

Approval of Initial Improvement Plan

Mr. Lyles stated a quick overview describing what the improvement plan consists of by our engineer would be appropriate at this time.

Ms. Ganz stated just to clarify at this meeting we are not finally approving this improvement plan we are just approving it for further consideration.

Mr. Lyles stated this is under Chapter 298, Florida Statutes pertaining to our powers as a drainage district, which we still maintain and this is a procedural, statutory step that we are required to follow. First, do you want to go forward by adopting it to put it out there and second, do you want to ultimately approve it next month at a public hearing? Before you take action I thought a quick overview by the engineer would be appropriate.

Mr. Green stated you are looking at the improvement plan report for wastewater management unit areas. This is a report that is primarily summarizing what is in your water use permit for the Wedge area that has previously been approved by the water management district, we are just summarizing it to meet the requirements of the state for their 298 requirements. This summarizes some of the basic information on how we are planning on the drainage and flood control in the Wedge area. It starts out with an introduction and outlook on this, then it talks about some hydrology of the area and the criteria that was being used in terms of coming up with what was needed in terms of pipes and culverts and lakes in the Wedge area to manage the water flows in that area. It describes the proposed plan for the Wedge water management and how it is being used to control the run-off, etc. and how it is being set up to avoid impacts on the rest of your service area. It outlines the planned improvements in each of the three unit areas, which is the same as the assessment areas that we had for the public assessable improvements. Actually the appendix to the report has a copy of the South Florida Water Management District permit that has already been approved. Once the district approves this report we will be sending this report to the district for their approval of this as well. They have agreed that they will expedite that because it is just reiterating something they have already approved.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the engineer's improvement plan for the Wedge was accepted.

A. Consideration of Resolution 2013-21 Initial Approval of Water Control Plan/Designation of Unit Area A

Mr. Hyche stated the next item is approval of Resolution 2013-21 initial approval of water control plan/designation of Unit Area A.

Ms. Ganz stated this resolution as well as the next two basically do the same thing, this one actually designates Unit Area A, the next two are B and C and it approves for further consideration and designation of those unit areas and the final adoption of that plan that was just discussed. It sets the public hearing for October 9, 2013 to consider objections of any interested persons and to take further actions contemplated by 298. It directs the mailing and publication of notice of the action that was taken today and submission of a copy of that water control plan to the South Florida Water Management District.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-21 was approved.

B. Consideration of Resolution 2013-22 Initial Approval of Water Control Plan/Designation of Unit Area B

Mr. Hyche stated item B is consideration of Resolution 2013-22 initial approval of water control plan/designation of Unit Area B.

Mr. Lyles stated same resolution, same conditions but just applicable to Area B at this time.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-22 was approved.

C. Consideration of Resolution 2013-23 Initial Approval of Water Control Plan/Designation of Unit Area C

Mr. Hyche stated item C is consideration of Resolution 2013-23 initial approval of water control plan/designation of Unit Area C.

Mr. Lyles stated same terms and conditions but applicable to Area C.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2013-23 was approved.

EIGHTH ORDER OF BUSINESS

Approval of Validation Resolution 2013-24

Mr. Hyche stated item 8 is approval of validation Resolution 2013-24.

Ms. Ganz stated this is the resolution I described that allows us to begin the process for judicial validation of the bonds that will finance all these improvements that we are discussing. It authorizes a certain aggregate principal amount of \$27,025,000 of special assessment bonds for the public assessable improvements and \$30,080,000 for the water management bonds and then the resolution further breaks it down in terms of a not exceeding principal amount for each of the different assessment areas and unit areas in terms of bonds. It generally authorizes the bonds and we will come back to you with further proceedings and authorizations before the bonds are finally authorized and issued. This doesn't mean that these bonds are getting issued just generally authorizes and lets us begin the judicial validation. It appoints U.S. Bank National Association as trustee for the bonds. It approves a form of the master trust indenture substantially in the form that is attached to the resolution and it authorizes the bond validation to be commenced and it approves MBS Capital Markets, LLC as the underwriter of the bonds.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor Resolution 2013-24 was approved.

NINTH ORDER OF BUSINESS

Consideration of Preliminary Agreement with Developers – Substantially in the Form Presented

Mr. Hyche stated item 9 is consideration of preliminary agreement with developers substantially in the form presented.

Ms. Ganz stated the preliminary agreement is the agreement I described, which is the one that is intended to make the various developers responsible for the costs incurred in the event that these bonds are not issued within the timeframe that is specified, which is a one year timeframe. We gave them a reasonable period of time to get the bond issue done.

Mr. Lyles stated the parameters of the agreement as outlined by bond counsel are there. If there are any questions about this agreement we have explained that it is still out for review and it might be tweaked but we are asking for your approval tonight of the agreement in substantially final form subject to final legal review so that we can keep the process moving and get that signed. That is almost exclusively directed to protecting the district’s finances.

Ms. Ganz stated just so you know we have had meetings with developers and they know about this agreement. I not only sent it to them but I discussed it with them.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the preliminary agreement with developers was approved in substantially the form presented subject to final legal review.

TENTH ORDER OF BUSINESS

Authorization of Appraisals

Mr. Hyche stated item 10 is authorization of appraisals.

Mr. Lyles stated as bond counsel summarized earlier in the overview we are going to need to get an appraiser who represents our interests to take a look at valuing the interests in real property and the big component of that is going to be drainage, flowage, storage easements and some water bodies that are going to remain owned, maintained property of the developers. We are not going to own the lakes here. We are just going to have the right to flow through and store water there. They are going to have approved through their homeowners association the recreational use of those lakes, you don't and have never permitted that so the fix on that is they are going to keep the lakes. As long as we can drain and serve the stormwater management criteria that are established for us we are going to be okay with that. It is kind of a partial acquisition, an easement interest in the property. We are going to have to value that and we will need to get an appraisal. Right now we just want your authority to go out and contract with an appraiser in a not to exceed amount of \$30,000. We will negotiate we will not have to go through a CCNA process but we do want to keep all these independent pieces moving by getting an appraiser who is qualified to value this type of interest in property in this scenario in the South Florida area. We would like your authorization to proceed with that in an amount not to exceed \$30,000.

Mr. Gray stated I'm fine with that part but have a couple questions. Are all the lakes by all the developers being treated the same?

Ms. Ganz responded my recollection is that in each assessment area we have to get easements it is probably going to be different amount.

Mr. Lyles asked are all the developers going to permit recreational use of the water bodies?

Ms. Ganz responded I don't know.

Mr. Gray asked but we from our standpoint are not going to be maintaining we are just going to regulate water flow?

Mr. Lyles responded essentially yes. We are going to require that they pay all costs of maintenance on an ongoing basis in the future. We are just going to have the right to store and flow surface water. Valuing that is not something that every appraiser in town does on a regular basis but there are a couple who have seen that before. We would like your authority to go out and have management negotiate with and retain an appraiser to do the necessary report on behalf of NSID.

Mr. Gray stated we are giving authority to staff to negotiate and get a contract for an appraisal.

Mr. Lyles stated in a not to exceed amount of \$30,000.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor staff was authorized to enter into a contract for an appraisal of the easement areas in an amount not to exceed \$30,000.

ELEVENTH ORDER OF BUSINESS

Staff Reports

A. Manager

I. Consideration of RFQ 2013-4 Planning, Design and Construction of Chemical Building

Mr. Hyche stated the next item is consideration of RFQ 2013-4 for the planning, design and construction of a chemical building. We had one respondent, Lanzo.

Mr. Colon stated I had sent it to negotiate a price with CH2M Hill, our engineering consultant under a continuing service contract we have with them. We were unable to do so, we could not reach a dollar amount that we felt comfortable with and advertised in the Sun Sentinel to see if anyone would be interested in submitting a proposal to do a design/built of the chemical building. It was advertised a request for qualifications with a package and we had one respondent, which is Lanzo. We are asking that you rank Lanzo in a certain category to enter into negotiations to try to

negotiate a contract to do a design/build of a chemical building. Normally we would get a list of respondents and rank them on qualifications, an RFQ is not based on price and then we would start negotiations with the highest ranked firm on the list. There being no others and with only one respondent we are asking authorization to negotiate a contract with the one respondent.

Mr. Hyche stated we would negotiate with the one respondent, get a price and bring that back to the board for approval.

Mr. Gray asked what are we providing them with in the package for the guidelines? Are we giving them the parameters we are seeking?

Mr. Colon responded we put out a package. The package is on our website also. We put out a criteria we wanted based on what the district was seeking and a certain amount of qualifications so we wanted to seek responsible people who had this type of experience doing a design/build. As for the design of the chemical building we would still need to basically come up with a criteria of what the district needs. It is really a negotiating process. The RFQ is to make sure that we get interested people who are qualified to enter into negotiations. It is not price based or anything of that nature.

Mr. Lyles stated it will be but at this point we are not talking about price.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor staff was authorized to enter into negotiations with Lanzo Construction for a price for a design/build of a chemical building to be brought back to the board for consideration.

II. Approval to Amend Current Employee Vacation Policy

Mr. Hyche stated next is approval to amend current employee vacation policy. In your packet is a memo outlining the policy.

Mr. Gray stated I am in favor of that because the opposite increases our liability rather than setting a yearly established cost for employees.

Mr. Colon stated this will save the district money from this point forward.

Mr. Hyche stated I also had Dennis look over it to make sure this was legal.

Mr. Lyles stated we are fine with it.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the employee vacation policy, copy of which is attached was amended.

B. Attorney

Mr. Lyles stated my monthly report on the status of the litigation with Broward County as of today we confirmed with our special counsel that the 4th District Court of Appeal has not yet ruled on our petition seeking review of the decision that we are required to add all other parties to the Large User Agreement to our action before we can proceed. Since the 4th DCA has not ruled yet the trial court has extended the time that we were given within which to submit an amended complaint adding those parties through October 9th. We are waiting on the 4th DCA so no change since last month other than that order authorizing extension of time through October 9th.

The second item is something we probably could have and should have submitted with all the other paperwork but it didn't make it into the hopper so I elected to bring it up under attorney's report. Staff has known from the beginning that other elements of bond counsel's firm have in the past and may in the future advise or been consulted by the developers regarding some land use issues, zoning and things like that. Technically that could be viewed by someone as a conflict unless it is knowingly waived by the parties. Denise's obligations and duties really don't overlap into anything relating to what other partners have or might do in the future regarding land

use issues with essentially Parkland. In an abundance of caution they have asked that we consider an acknowledgement and an agreement waiving any potential conflict along those lines. It has already been reviewed and executed by the three developing entities involved, Lennar, Triple H and Standard Pacific. Bond counsel is here and I'm here if you have any questions about the background or the affect of this waiver of your acknowledgement that others in her firm have given advice regarding how to proceed with Parkland and things of that nature. We are here to answer those but if not we would ask that the board authorize the president to sign these waivers on behalf of NSID. I have reviewed this situation and don't see the potential for an actual conflict. If something like that were to arise we would be back in front of the board either getting different bond counsel or giving you an acknowledgement from the developers that they no longer are using the services of the same firm for their land use work. As of now I see no issue that could work to our detriment and I recommend that you approve the waivers and acknowledgements.

<p>On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the president was authorized to sign the waivers and acknowledgement of potential conflict of interest of Greenspoon Marder.</p>

C. Engineer – Project Status Report

Ms. Early stated you have the project status report in your agenda. As you can see the R.O. Plant is moving along, walls are starting to go up. The sidewalk on County Line Road is nearly complete. The force mains are in on County Line Road we are in the process of certifications.

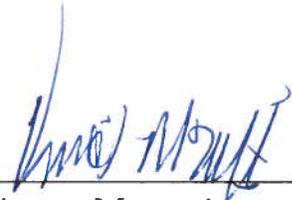
TWELFTH ORDER OF BUSINESS

Approval of Financials and Check Registers

Mr. Hyche stated the next item is approval of financials and check registers.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the financials and check registers were approved.

On MOTION by Mr. Gray seconded by Mr. Capwell with all in favor the meeting adjourned at 6:25 p.m.



Vincent Morretti
Secretary



David Gray
President