MINUTES OF MEETING
BAY LAUREL CENTER
COMMUNITY DEVELOPMENT DISTRICT

The special meeting of the Board of Supervisors of the Bay Laurel Center Community Development District was held on Wednesday, April 27, 2022 at 2:00 p.m. at Circle Square Commons Cultural Center, 8395 S.W. 80th Street, Ocala, Florida.

Present and constituting a quorum were:

Kenneth D. Colen	Chairman
Richard Belz	Vice Chairman
Paul Brunner	Assistant Secretary
William D. McLeod, Jr.	Assistant Secretary
Jo Layman	Assistant Secretary

Also present were:

George Flint	District Manager
Jonathan Johnson	District Counsel
Rachel Wagoner	Kutak Rock, LLC.
Bob Gang *(via phone)*	Greenberg, Traurig
Crystal House	BLCCDD
Bryan Schmalz	BLCCDD
Tara Hollis	Willdan Financial Services
Gene Losito	Kimley-Horn
Mike Baldwin	Jefferies
Tamaa Patterson	Jefferies
Robert Wester	Resident

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Kenneth Colen called the meeting to order at 2:00 p.m. and Mr. Flint called the roll. All Supervisors were present.

SECOND ORDER OF BUSINESS **Public Comment Period**

Mr. Kenneth Colen: Alright. Is there anyone from the public who wishes to address the Board? Now is your chance. Please step up to the microphone and state your name and address for the record. Speak clearly.

Resident (Robert Wester, 9693 Southwest 95th Loop): I noticed on the agenda, the published documents that On Top of the World (OTOW) is going to be selling or proposed to be selling to Bay Laurel for certain water treatment facilities. Can we have a comment after that presentation so we are all aware of that because that documentation was not made available to us?

Mr. Kenneth Colen: Alright. Thank you for your comment. Is there anyone else who wishes to address the Board? Hearing none, I will close the public comment period.

THIRD ORDER OF BUSINESS **Notice of Meeting**

Mr. Kenneth Colen: The notice of meeting was published in the Ocala Star Banner on April 20, 2022. It has the text of the meeting as well.

FOURTH ORDER OF BUSINESS **Financing Matters**

A. Public Interest Public Hearing

i. Presentation of Public Interest Briefing Document for the Purchase of Water Treatment Plant No. 3

Mr. Kenneth Colen: Who will be presenting the public interests briefing document for the purchase of Waste Treatment Plant (WTP) No. 3?

Mr. Flint: Mr. Chairman, it would probably be appropriate to have Jonathan introduce the public interest public hearing and describe the statutory requirement while we're going through this.

Mr. Kenneth Colen: Okay. Mr. Jonathan Johnson, will you please address us?

Mr. Johnson: Yes, Mr. Chairman. You have in your agenda package the report which has been prepared by Willdan Financial Services (Willdan), which is pursuant to a process that the Board authorized staff to publicly notice and undertake for a public hearing today. This is in satisfaction of certain requirements in Chapter 190, specifically Section 190.0125, which provides a specific process for a Community Development District (CDD) to acquire water or wastewater facilities. In this case, we're really just talking about the water plant. There are certain statutory factors that have to be reviewed. The Consultant Report that you're about to hear, is intended to address each of those factors required by or in 190.0125, at least to the extent that they are applicable. Some of those factors yield a failed utilities and those would definitely not be applicable here. So, after we have the presentation of the report, it would be appropriate, since it is a public hearing to take public comments to the extent that there are any. Then we have a resolution for your action today as required by statute.

Mr. Kenneth Colen: Alright. Thank you.

Mr. Flint: As part of that, we did advertise the public hearing in accordance with the statutes. The notice in the advertisement indicated how anyone who is interested in getting information about this, would go about requesting that as well as the information that's in your agenda. It was posted on the District's website a week in advance of the meeting. So, anyone who is interested in any of the backup associated with the agenda, can find that on the website or contact my office.

Mr. Kenneth Colen: Alright. Thank you, Mr. Flint. Who will be presenting the briefing document?

Mr. Flint: Tara.

Mr. Kenneth Colen: Ms. Tara Hollis? Okay. Come up and state your name and affiliation.

Ms. Hollis: Good afternoon. My name is Ms. Tara Hollis and I'm with Willdan Financial Services. I'm a CPA and also a Certified Evaluation Analyst. I assume that everyone has a copy of the presentation in their packet.

Mr. Kenneth Colen: Yes.

Ms. Hollis: There's also a complete briefing document that goes into more detail.

Mr. Flint: They actually have the briefing document, not the presentation. Do you have copies of the presentation?

Ms. Hollis: I do not.

Mr. Flint: Okay.

Ms. Hollis: This really summarizes what each item is and each section of the briefing document. I'm trying to read from both of them, but basically, I want to give you just a brief overview of the water system. As mentioned, you're looking at purchasing WTP No. 3. The utility has been leasing that treatment plant for over a decade now. They use that to help provide water services throughout the District. It's interconnected to WTP No. 1 so it can balance the water that's treated between the two and provide service. That's just a brief system overview which I'm sure you've probably seen before of the water system. Basically, you're treating ground water from the upper Floridian aquifer. You have seven supply wells. Certain wells serve WTP No. 1. There are other wells that serve WTP No. 3. Those are already owned by the

District. WTP No. 1 has a 2-million-gallon ground storage tank, 20,000-gallon hydro-pneumatic tank, a five high service pump station and a gas chlorination system. WTP No. 3 that you're looking at acquiring has two 2.75-million-gallon ground storage tanks, a 25,000-gallon hydro-tank and six high service pump stations. It also has a sodium hydrochloride chlorination system. Your distribution system ranges in size from 2-inch to 36-inch pipes. As mentioned, there are several requirements that need to be addressed when you're looking at purchasing or acquiring and/or selling a utility system. This one is a little different because you already own the system, but you're looking at purchasing a major asset of the water system. We're looking at still going through and following those same guidelines. The first requirement is the most recent available income and expense statement for the utility. In your actual briefing document, we've provided income and expense information for Bay Laurel. As I mentioned here, you're leasing WTP No. 3. We also show that right now, the utility annually pays a lease payment, which is approximately $700,000, as well as any of your Allowance for Funds Prudently Invested (AFPI) charges for the water system. They remit a portion of those back to OTOW. Last year in total, between the lease payment and what was remitted back, was approximately $2.1 million. In addition, we created a proforma operating statement that, if you acquire this system, wouldn't have those lease payments or AFPI charges stay with the utility. But then also, in that proforma operating statement from 2022 through 2026, it includes what the potential service would be to acquire the utility system. It shows, like I said, removing the expenses related to leasing, but then within adding in the debt service payments. Even with acquiring your system, you still have more than enough to meet the requirements on the debt, a positive cash flow and continuing with the customer growth that you have and the rate increases, which offset inflation. The second requirement is the most recent available balance sheet for the utility listing assets and liabilities and clearly showing the amount of contributions made for construction and the accumulated depreciation. As mentioned, we have the audited income statements and balance sheets through 2020, as well as an unaudited statement and balance sheet through 2021. That is included in your packet. Once the utility acquires WTP No. 3, the additions will be to your plant and equipment net of depreciation line item, as well as potentially just put up on land that the treatment plant is on. That's where the changes would be once the treatment plant is acquired and obviously, debt service to offset that. Next is a statement of the existing rate base of the utility for regulatory purposes. You typically see a rate base when it's a Florida Public Service Commission (FPSC) regulated utility. You are not regulated by the FPSC, so therefore, there is no determined rate base. That's just based on how you're established. The physical condition of the utility facilities being purchased or sold are subject to a Water and Wastewater Facility Privatization Contract. I don't know if it was in your packet, but I also have an evaluation that was performed on WTP No. 3. Mr. Gerald Hartman from Hartman Consulting, LLC. came out on October 7th and took a tour of the facility. He looked at different items at the facility and was accompanied by the Utilities Director. Based on that site inspection, which was limited to what he could see, the WTP No. 3 facilities were determined to be in excellent condition. So, it's obviously been well-maintained. Mr. Hartman and I came out in the 2010 timeframe and looked at the facilities when they were new. They've continued to be maintained in excellent condition, but upgrades were needed. Next is the reasonableness of the purchase, sale or Water and Wastewater Facility Privatization Contract on both price and terms. As I mentioned, Mr. Hartman came out on October 7th, as part of his site inspection and an Evaluation Report was prepared. That was dated with the evaluation date of October 2021. As part of that and the Evaluation Appraisal that was completed, the terms of the Lease Agreement stated that an appraisal needed to be performed in order to purchase the facilities and determine a price. We looked at three different appraisal approaches. The first was a cost approach, which looks at what a replacement cost and new list appreciation would be for the facilities. The second was an income approach, where we analyze what the lease payments would be as well as what the AFPI charges are that would continue to be paid to the utility. Then the third approach was a market or comparable sales approach. Those three approaches were then weighted based on Mr. Hartman's knowledge of the industry and of the facilities. As a result of the weighting of those three approaches, a value was given of $35.7 million. That took into account all three approaches, as well as the land appraisal from Albright and Associates. The next requirement is the impacts of the purchase, sale or Water and Wastewater Facility Privatization Contract on utility customers, both positive and negative. The advantages of acquiring the asset is it would be part of a non-profit entity, which potentially has access to tax exempt debt, as well as access to certain Federal and state grants and low-interest loans. Another advantage is it's a relatively new facility and has been maintained well. You are already using the facility to where you know how to integrate it and it's already integrated into the system. So, those are some of the advantages. Obviously, the potential disadvantage is you're going to have to acquire it and have to take out that debt. Again, there is typically a lower interest rate and when you are owning the system, you can do whatever needs to be done to the system. You will have to make sure that you're getting certain approvals from OTOW, but you can do it when you need it. The next item is any additional investment required and the ability and willingness of the purchaser or the private firm under the Water and Wastewater Facility Privatization Contract to make that investment, whether purchased through the CDD or the entity purchases the utility from the CDD. So potentially, your utility is growing and you're going to have to keep reinvesting in the Capital Improvement Program (CIP), not just for the WTP, but in general. That is obviously one issue you'll still continue to have to make investments on that will be required and will have to continue as more developments come online to expand your transmission and distribution system, as well as when you reach capacity of WTP No. 3. You are going to take a look at potentially adding additional well and sewer system. The utility did provide a detailed five-year CIP that included all water and wastewater projects. Those were reviewed and were also taken into account when we developed the Feasibility Study for the bond issue that you will hear about a little bit later. The next item delves into the Water and Wastewater Facility Privatization Contract, which this one isn't. Part B is if there was a Water and Wastewater Facility Privatization Contract, the terms and conditions on which the private firm will provide capital investments, etc. Again, it's not a Water and Wastewater Facility Privatization Contract, so there are no comments there. The next item is Section 8, the alternatives to the purchase, sale or wastewater facility privatization contract and the potential impact of utility customers if the purchase, sale or Water and Wastewater Facility Privatization Contract is not entered into. Obviously, you can continue to lease the facilities. If you continue under the current operations, that would be alternative one. Another alternative would be to build a brand-new facility. So, if you didn't purchase it, you can try to build another one. In looking at those, the issue with continuing the current lease is the price can continue to go up. You could still be acquiring it down the line, but it would potentially cost more at that point than it costs now because you are turning over all of the capital charges, the AFPI charges that are related to the WTP to OTOW and not keeping them within the system. That's just another cost to Bay Laurel's utility system. It doesn't make sense to build your own when you already have a system here. You would have to find a location interconnected to your well. Economically, that's just not a feasible option and not in the best interests of utility customers.

Mr. Kenneth Colen: As to the feasibility of building new, what would be the regulatory challenges to that?

Ms. Hollis: You would have to make sure that it would fall under your permit. From an engineering standpoint, I'd have to have somebody else talk about that.

Mr. Kenneth Colen: Okay.

Ms. Hollis: But really, it's again, the location, the cost of tying into the wells, making sure you get the permits to tie into the wells. Right now, as you know, WTP and construction costs are skyrocketing. They are out of hand, just from the standpoint of being economically feasible if you can get some of the costs of that. We've seen costs double and triple in the last year on some of these facilities. Bryan?

Mr. Kenneth Colen: When you finish your presentation, perhaps I'll ask the Project Engineer for an opinion.

Ms. Hollis: The next requirement is the ability of the purchaser or the private firm under the Water and Wastewater Facility Privatization Contract to provide and maintain high-quality and cost-effective utility service, whether the purchaser is the CDD or the entity purchasing the utility from the CDD. With this one, staff is knowledgeable about WTP No. 3. They've been operating it for over a decade, since 2009/2010 or potentially even than before that. They are familiar with what goes into it, how to maintain it, how to balance the treatment between them and how to provide service from it. So, I don't see any issue, from the standpoint of the level of service that is provided that would be degraded if they owned it versus leasing it. Again, the second part is not applicable because it's not a Water and Wastewater Facility Privatization Contract. It would relate to Section 190.01259B if it was a Water and Wastewater Facility Privatization Contract. The same thing with Section 10. It refers to all of the monies paid by the private firm to a CDD through a a Water and Wastewater Facility Privatization Contract. Again, this is not a Water and Wastewater Facility Privatization Contract, so it doesn't apply. Basically, to sum up the statement of public interest, this is the opinion of the consultants of Willdan. When I spoke with Mr. Hartman, who is an engineer as well as an appraiser, the attorney and the staff, the terms of the proposed acquisition contract and the proposed acquisition of WTP No. 3 assets by the District, it is in the public interest and the District has the experience and the financial ability to continue to provide the service to the customers. So, that would not be impacted in a negative way, at this point.

Mr. Kenneth Colen: Are there any questions from any member of the Board? Alright. Thank you. I have a question for the engineer. If you would please step up. What do you think it would cost to reproduce WTP No. 3 and the well fields that go with it?

Mr. Gene Losito: Mr. Gene Losito, Kimley-Horn and Associates, Consulting Engineer for the District. We originally looked at that as an option and with the current construction costs, the way that items are skyrocketing, we recently completed a project nearby in the City of Wildwood for a similar size facility. Based on the way construction costs are going, we would be probably north of $45 million, to try to reconstruct a new facility at the same capacity and size as WTP No. 3.

Mr. Kenneth Colen: Okay. Thank you.

Mr. Belz: I have a comment to that.

Mr. Kenneth Colen: Yes, Mr. Belz.

Mr. Belz: That presumes that you could get permission from the Southwest Florida Water Management District (SWFWMD) to do it.

Mr. Kenneth Colen: Very good.

ii. Consideration of Resolution 2022-03 Finding that it is in the Public Interest to Acquire Certain Potable Water Supply and Treatment Facilities

Mr. Kenneth Colen: Back to you, Mr. Jonathan Johnson.

Mr. Johnson: Mr. Chairman, since this was noticed as a public interest hearing, I think it would be appropriate to ask for any public comments before we get to the action on the resolution.

Mr. Kenneth Colen: Excellent. Is there anybody who wishes to address the Board at this time? Going once, going twice. I will close the floor to public comments and bring it back to the Board.

Mr. Johnson: Thank you, Mr. Chairman. You will see that Resolution 2022-03 is proposed to be adopted in reference to Section 190.0125, which we have been discussing now at some length today. I won't go back through all of it, but you will see at the bottom of Page 1, the resolution does recite various statutory factors that have been addressed in the Comprehensive Report that you received from Willdan Financial Services. On Page 2, I'll just note for the record, that we have blanks for George to fill in the date of the newspaper publication and the location of that newspaper. George, I'll ask you to confirm for the record that you have proof of publication on file that will be also attached to this resolution once it is approved.

Mr. Flint: That's correct.

Mr. Johnson: Thank you. At the bottom of Page 2 in the findings and determination, I will note for the record that you are entitled to rely not only on the report that was presented today, but the various testimony and information you received from your engineering and other consultants at this Board meeting leading up to today's hearing, which led your decision to undertake this transaction and notice this public hearing. That testimony is reflected in this resolution, as well as your experience in operating the utility, which is in the report itself. Based on each of those factors, if you adopt this resolution, you are finding that each of the applicable factors have all been considered and addressed in the report that you presented and in the discussion at today's meeting. You're also finding that information is sufficient to enable you to make an appropriate decision on whether moving forward is in the public interest. Finally, you are concluding that it is in the public interest to move forward with the acquisition of WTP No. 3 and that this resolution will serve as the statement that is required by the statute, which provides for an effective date. With that, I'll say that collectively staff is happy to answer any questions that you have, but based on the process you have undertaken today, it is staff's recommendation that you adopt Resolution 2022-03 and authorize the management firm to fill in the date and location of the publication.

Mr. Kenneth Colen: Alright. At this point, I'm going to state that I have a conflict of interest here because I am principal of Sidney Colen & Associates, which is the seller of the water plant. Mr. Flint, is there anything else I need to do in that regard?

Mr. Flint: Make sure that you fill out Form 8B, Conflict of Interests Form, which we keep on file.

Mr. Kenneth Colen: Thank you very much. Alright. Before us is Resolution 2022-03: *"A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT PURSUANT TO SECTION 190.025, FLORIDA STATUTES, AS AMENDED, DETERMINING THAT ENTERING INTO A PURCHASE AGREEMENT FOR THE ACQUISITION OF CERTAIN POTABLE WATER SUPPLY AND TREATMENT FACILITIES (THE WATER SYSTEM) AND VARIOUS TRANSMISSION AND DISTRIBUTION SYSTEM FACILITIES AND ANCILLARY FACILITIES RELATED THERETO*

(TOGETHER WITH THE POTABLE WATER SYSTEM, THE UTILITIES SYSTEM) CURRENTLY OWNED BY ON TOP OF THE WORLD COMMUNITIES, INC. AND SIDNEY COLEN & ASSOCIATES, LTD IS IN THE PUBLIC INTEREST; PROVIDING FOR AN EFFECTIVE DATE."

On MOTION by Mr. Belz seconded by Mr. Brunner to adopt Resolution 2022-03 as read: Supervisor McLeod: Aye Supervisor Layman: Aye Supervisor Belz: Aye Supervisor Brunner: Aye Supervisor Kenneth Colen: Abstaining Motion Passed 4-1.

Mr. Kenneth Colen: Thank you all very much.

iii. Discussion of Interlocal Agreement with the Indigo East CDD Regarding the Issuance of Utility Bonds

Mr. Kenneth Colen: Who will be addressing that?

Mr. Flint: I think anyone who is here for the prior workshop with Indigo East, is aware of the issue, but based on certain IRS rulings, Bay Laurel's ability to issue tax-exempt bonds is no longer possible. Therefore, Bay Laurel would be issuing taxable bonds, which is at a higher interest rate than the tax-exempt rates. One option that the Board has is that another government entity that is able to issue tax-exempt bonds, could do that as a conduit on behalf of Bay Laurel Center CDD. We looked at the possibility of the Indigo East CDD being the issuer on behalf of the Bay Laurel Center CDD at a tax-exempt rate. We're really focused on the refunding or the refinancing of the 2011 bonds for that purpose, because based on the timing and other issues, we believe that the Board should consider going forward with the new money based on the taxable rates and the uncertainty of interest rates. This is all in Mike's presentation. We did have a workshop with the Indigo East CDD Board prior to the Bay Laurel CDD Board to introduce the concept to them. I think that they have their regular meeting on May 17th. If you want us to proceed with this concept on the refunding portion of the debt, we would come back with an Interlocal Agreement between Bay Laurel and Indigo East, as well as a bond validation resolution for Indigo East to consider, because they will need to validate the bonds if they are going to issue on behalf of Bay Laurel. That Interlocal Agreement would provide Indigo East some protection if they were to issue on your behalf and would indicate that Bay Laurel would pay the costs of the transaction. It would also indicate what the pledge revenue sources were and provide Indigo East some protection that they wouldn't be adversely impacted by being the issuer. Mike?

Mr. Baldwin: Mr. Mike Baldwin, Jefferies, Senior Underwriter for Bay Laurel Center CDD. Essentially, we've been working on this for several months. Unfortunately, since the beginning of 2022, interest rates, both tax exempt and taxable, have increased inconsiderably. It's to the point now that the refunding does not make economic sense issuing taxable profit. So, at this point, we would not move forward with a taxable refunding. It's almost a savings of $1 million. If we did have this Interlocal Agreement in place with Indigo East, the savings as of last week, would've been approximately $1.8 million to the positive. It's unfortunate that the discrepancy between tax-exempt and taxable is about 100 basis points. If we are successful with moving forward and the Indigo East Board, moving forward, issuing tax-exempt and interest rates stay at the same levels and we're going through that exercise of getting the bonds validated for Indigo East, on a tax-exempt basis, they will be able to realize over $1 million in savings. The way I look at it right at the moment, a refunding isn't making economic sense from a tactical standpoint, with the new taxable rates increasing considerably. Therefore, I think that it's worth the exercise of going through the validation in 90 to 120 days. Obviously, that's all contingent upon the Indigo East Board approving the Interlocal Agreement at the next meeting.

Mr. Kenneth Colen: Thank you. Board Members, do you have any questions? Mr. Belz?

Mr. Belz: This is sort of like the mirror image of us issuing the bonds for Indigo and Candler, correct?

Mr. Baldwin: Exactly.

Mr. Belz: Okay.

Mr. Kenneth Colen: Are there any other questions? Thank you very much. We will move on.

iv. Consideration of Engineer's Report

Mr. Kenneth Colen: Part 4C, is consideration of the Engineers Report. Mr. Losito, would you walk us through that, please?

Mr. Losito: Yes, sir. Thank you. We were tasked by the District to prepare a Consulting Engineer's Report. At a high level, it provides an overview of the system that Bay Laurel Center maintains and operates. It contains a regulatory compliance status, water, sewer, low demand projections and overviews of plant construction projects for the next five-year period. The main one being the construction of the North Water Reclamation Facility, decommissioning of the South WWTF, converting it into a reclaimed pump station, as well as a few miscellaneous system improvements, upgrades to lift stations and some line extensions to support the North Water Reclamation Facility. At the conclusion of our report, we will provide a summary demonstrating the need for these improvements to support the growth of the community in the next five-year period. We provide data within the report demonstrating the necessity of these improvements to support the system.

Mr. Kenneth Colen: Alright. Board Members, are there any questions? It is a straightforward report. Thank you.

Mr. Losito: Thank you.

Mr. Johnson: I think it would be appropriate to have a motion to accept this report.

Mr. Flint: We need a motion to accept the Engineer's Report as presented.

> On MOTION by Mr. Belz seconded by Mr. Brunner with all in favor accepting the Engineer's Report as presented was approved.

v. Consideration of Financial Feasibility Study

Mr. Flint: Item D is the consideration of the Financial Feasibility Study. Miss Hollis, you're up again.

Ms. Hollis: Thank you. As part of this project, we completed the Bond Feasibility Financial Report. That takes into account different sections. One is looking at the sources and uses of funds. Just to make you aware, in addition to the bonds that you're looking at, for the North Water Reclamation Facility, you received a grant for $26.1 million from the Florida Department of Environmental Protection (FDEP), as well as we're projecting that you would be using approximately $16.55 million of your existing Surplus Funds towards the construction of the facility to offset the amount of debt that you're having to go out for this. We will go through and look at the financing numbers that were provided by the Underwriter. Those were incorporated. This report also looks at historical results for 2016 through 2020, as well as the unaudited results for 2021. Based on those, you had more than adequate coverage on your existing debt. We also put together a proforma statement for 2022 through 2026, incorporating the proposed debt, similar to when we do a rate study, line item by line item going through each expense and doing escalation factors for them, different inflation, customer growth, different types of factors. Certain things like fuel are going up considerably faster than some of your other expenses. We also took into account customer growth. This also shows your historic growth since 2011 or 2012 forward, so we're using in our proforma, approximately 6% growth per year. So far this year, you're almost at that 6%. When I say year, I'm talking fiscal year, so you're about halfway through the year and you're close to realizing that before you even get to the end of September. We also took into account the, like I said, potential rate adjustments, continued rate adjustments to address inflation of 4% for sewer and 3% for water. We do a comparison and you'll see in their comparison to where your rates are, in comparison to other utilities in the area. We do that at 15,000 gallons and you're significantly below several of those other communities. Again, we look at the potential of the projected debt service coverage and see that you are going to have a requirement of 1.1. We projected in each year that it will be at least at the 1.25 to 1.3 coverage. So, you're setting up here above what is required. Then the last part is just like I mentioned. You're using $16.55 million from your Surplus Fund. We also do a projection that you'll see in here of where we project that fund will be again at the end of the five-year period, so through 2026. We are showing that even with using what's in the Surplus Fund, when we look at the Surplus Fund and your Renewal and Replacement (R&R) Fund, you are still going to be able to be putting money into that fund each year. Then you would have sufficient reserves for any of your other projects that will be coming up.

Mr. Kenneth Colen: Very good. Do we have any questions for the consultant? Not hearing any, we need a motion accepting the Financial Feasibility Study.

On MOTION by Mr. Belz seconded by Mr. McLeod with all in favor the Financial Feasibility Study was approved.

vi. Consideration of Resolution 2022-04 Bond Delegation Resolution

Mr. Kenneth Colen: That brings us to Resolution 2022-04. That's a long title. Mr. Jonathan Johnson, do you wish to address this?

Mr. Flint: Mr. Bob Gang will.

Mr. Gang: I'm responsible for the long title. I apologize for that. This concept has been in the works for quite a while as you know. It contemplated the issuance of refunding bonds, as well as new money bonds for the projects that have been discussed today. It authorizes a not-to-exceed of $35 million in 2022A bonds and a not-to-exceed of $130 million in 2022B bonds for the new money. In the event that the District works out an arrangement for Indigo East to handle the refunding portion, then the 2022A bonds would not be issued as taxable bonds under the exhibits to this resolution. However, we think it's prudent to authorize as originally planned so that you don't have to repeat anymore steps in terms of the Board's action. We've already had discussions today of the project, etc. There are exhibits to this resolution. There's a Supplemental Trust Indenture for the refunding, which is Exhibit A; a Supplemental Trust Indenture for the new money portion of the project; a Bond Purchase Contract submitted by Mr. Baldwin's council; a Preliminary Official Statement, which will be the offering document issued to investors; a Preliminary Official Statement, which would be used in marketing the bonds and a form of a SEC rule 15C2-12 certificate, which is required by the SEC that the issuer uses to deem the Offering Document final, except for numbers, before it is posted in the public realm and lastly, there is a Continuing Disclosure Agreement, which is the secondary market disclosure that's also required by the SEC. These are all exhibits to the resolution. I'd like to bring your attention to Section 5, which is a requirement of Florida Law that before you can do a negotiated sale through an Underwriter of the public offering, you need to make certain findings in order to avoid the necessity of doing a competitive bid sale, which would be entirely inappropriate for an issue like this. The findings that the Board would be making are set forth on the top of Page 6. The complexity of this financing, the Interlocal Agreements and changing market conditions, are certainly true today. We've had the Underwriters of both firms involved since Day 1, in structuring this and actually started working on this last summer. The bonds will not be adversely affected if there isn't a competitive sale. There's also a discussion of bond insurance or the possibility of attaining bond insurance. You may have bond insurance on your 2011 bonds. All of that is very difficult to do if you're doing a competitive bid sale. The form of bond purchase contract, that's an exhibit to this resolution, has some parameters in it. This is set obviously for a taxable issue. The bonds must be redeemable no later than 2032 at par. The interest rates on the taxable bonds can't exceed the statutory limit in Florida for taxable municipal bonds, which is 500 basis points over the 30-year treasury yield published on the last day of the month before the sale. The aggregate principal amount of the bonds cannot exceed $35 million for the refunding and $130 million for the new money portion. The final maturity of the refunding bonds would be the same as the original 2011 bonds, which is September 1, 2041 and the new money bonds would have an outside maturity no later than September 1, 2052. The Underwriters compensation is no more than 0.6%. So, that the price paid by the Underwriters to the District can be no less than 99.4, ignoring the original issue discount that's offered to investors. For the refunding bonds, there cannot be any increase in debt service. In fact, all of the conditions of the original 2011 indenture for the issuance of additional bonds have to be satisfied. I believe that the Feasibility Consultant already walked you through that. The debt service coverage needs to be 1.1 or 1.10. I think the transaction is projected to be between 1.2 and 1.3. Other conditions that are in the original indenture are fairly numerous, but all of them would be met. The terms of the indenture and the conditions for issuance in the Bond Purchase Agreement must be satisfied in order to move forward. It also has attached a Preliminary Official Statement and a Continuing Disclosure Agreement for the purposes of compliance with the SEC and the marketing bonds. It also authorizes in Section 10, negotiations with bond insurers, which might be not only for bond insurance, but for all or a portion of the Debt Service Reserve Fund. Currently, your 2011 Reserve Fund is made up of a 50% bond surety from Build America Mutual, I think, and 50% cash. As Mr. Baldwin explained, two bond insurers are interested in this issue. As they insure the issue, they probably either provide at least half or all of your Debt Service Reserve Fund. So, that's the Delegation Resolution, which will allow you to move forward with marketing the bonds. If you have any questions, I'll be happy to respond.

Mr. Kenneth Colen: Thank you. Mr. Gang. This was a very good walk-through of the resolution. Board Members, do any of you have any questions? Alright. Before us is Resolution 2022-04: *"A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT AUTHORIZING AND APPROVING THE ISSUANCE AND SALE OF ITS BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT (MARION COUNTY, FLORIDA) TAXABLE WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2022A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $35,000,000 (THE SERIES 2022A BONDS) AND ITS BAY LAUREL CENTER COMMUNITY DEVELOPMENT DISTRICT (MARION COUNTY, FLORIDA) TAXABLE WATER AND SEWER REVENUE BONDS, SERIES 2022 B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $130,000,000 (THE SERIES 2022B BONDS, AND TOGETHER WITH THE SERIES 2022A BONDS, THE SERIES 2022 BONDS); PROVIDING FOR A BOOK-*

ENTRY SYSTEM WITH RESPECT TO THE SERIES 2022 BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE SUPPLEMENTAL TRUST INDENTURES SECURING THE SERIES 2022 BONDS; DETERMINING THE NEED FOR AND APPROVING THE NEGOTIATED SALE OF THE SERIES 2022 BONDS AND PROVIDING FOR A DELEGATED AWARD OF SUCH SERIES 2022 BONDS; RATIFYING THE APPOINTMENT OF THE UNDERWRITERS AS THE INITIAL PURCHASERS OF THE SERIES 2022 BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE CONTRACT WITH RESPECT TO THE SERIES 2022 BONDS SUBJECT TO THE PARAMETERS SET FORTH HEREIN; APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT FOR THE SERIES 2022 BONDS AND AUTHORIZING THE DISTRIBUTION AND USE THEREOF BY THE UNDERWRITERS IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS FOR SALE; APPROVIING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; DELEGATING AUTHORITY TO THE CHAIRPERSON TO DETERMINE WHETHER TO UTILIZE MUNICIPAL BOND INSURANCE FOR THE SERIES 2022 BONDS; AUTHORIZING CERTAIN OFFICIALS AND EMPLOYEES OF THE DISTRICT TO TAKE ALL ACTIONS REQUIRED AND EXECUTE AND DELIVER ALL DOCUMENTS, INSTRUMENTS, AND CERTIFICATES NECESSARY IN CONNECTION WITH THE ISSUANCE, SALE, AND DELIVERY OF SAID BONDS; AND PROVIDING AN EFFECTIVE DATE."

Mr. Belz: I have a question, Mr. Chairman.

Mr. Kenneth Colen: Yes.

Mr. Belz: The resolution deals with the possibility that the bonds would be taxable. What happens to this resolution if they succeed in marketing them as tax-free?

Mr. Gang: I can respond to that. If the interlocal arrangement with Indigo East goes forward, we would issue only the 2022B bonds, up to the $130 million in new money bonds. We would not issue the taxable refunding bonds because they are not economic at the moment. So, we would come back to the Board with another resolution for just the refunding portion.

Mr. Kenneth Colen: Alright. Thank you for clarifying.

Mr. Gang: This authorizes everything, but you are not legally obligated to go forward if the market conditions are not right.

On MOTION by Mr. Belz seconded by Mr. Brunner to adopt Resolution 2022-04 Bond Delegation Resolution: Supervisor Kenneth Colen: Aye Supervisor Belz: Aye Supervisor Layman: Aye Supervisor Brunner: Aye Supervisor McLeod: Aye Motion Passed 5-0.

Mr. Kenneth Colen: Thank you very much.

FIFTH ORDER OF BUSINESS **Consideration of North Water Reclamation Facility Agreement for Construction Services with Guaranteed Max Price**

Mr. Kenneth Colen: Moving on to Item 5 is the North Water Reclamation Facility Agreement for construction services and Guaranteed Max Price (GMP). You have two documents in front of you. In your book, you have the marked-up version and just before the meeting, Mr. Schmalz distributed the final version ready for adoption. So, Mr. Schmalz, would you like to come up here and address us? Please identify yourself, of course?

Mr. Schmalz: Mr. Bryan Schmalz, Utility Director for Bay Laurel Center. Before you, as Mr. Kenneth Colen described, you have the North Water Reclamation Facility Agreement for construction services with a GMP. As previously discussed at other Board meetings, this isn't for the entire cost of the construction project. What we will be doing is multiple GMP addendums to this agreement as we move forward with sections of the project. The reason why we're doing it that way is to proceed with moving forward with acquiring material, beginning construction in order to stay on the required timeline and secure material before price increases continue, as that's been a big issue for us. In the very back of the document, you will see GMP #01, provided by Wharton-Smith, providing all of the bid documentation from all of the bidders that responded and the one selected, who was the lowest bidder. That total amount for GMP #01 covers $2,584,144.99. That will cover the clearing and erosion control for the plant site, rapid infiltration basin area, utility easement, temporary roadways and then the trailer copmpound, what we call a lay-down area for the project. It will also include burning on-site. We won't be relocating or transferring any of the material off-site and that will include any temporary fencing necessary, construction roads, payments and performance bonds and insurance. It also includes the paving of a temporary construction road from the location, 92nd Court Road and 80th street intersection all the way to the facility site. We are simply going to asphalt that area, due to the cost for two and a half years of maintenance of lime rock, which can be quite difficult.

Mr. Kenneth Colen: Also dust control, I understand.

Mr. Schmalz: Yes, sir. Dust control is a big part of it. We want to minimize the impact to the residents. To put it in perspective, the site's expected to have over 200 vehicles traveling the road every single day, in the morning and in the evening, as well as deliveries. So, minimizing the impact to our customers was priority and it was actually the most cost-effective route to go. It would be more expensive to maintain a lime rock road versus paving it right out the door. With that being said, it will allow us to continue to operate that road for our entrance in the future. It also includes cattle gaps. We have to install some cattle gaps along the way to keep the cows in the pastures and allow the construction workers through. It also includes surveying and layout for the site.

Mr. Brunner: Quick question, Bryan, just for my information. It says, *"Running on site with an air curtain."* What is an air curtain?

Mr. Schmalz: The original plan was to do an air curtain, but working with the contractor, based off of his inspection of the land, it's primarily water oaks. There's not a lot of what you would call material that would cause excessive smoke. He said it would actually take longer to utilize an air curtain, so there's going to be straight burning. Since the material is so clean, it will burn well. It will burn fast and hot and reduce the amount of time it takes to actually do it. So, it will not be with an air curtain.

Mr. Brunner: Thank you.

Mr. Kenneth Colen: Mr. Belz?

Mr. Belz: This is a fixed-cost contract. Do we know what the max is?

Mr. Schmalz: That is the max.

Mr. Belz: Does that last until the first change order?

Mr. Schmalz: Yes.

Mr. Belz: What happens then?

Mr. Schmalz: With this, there's a 5% contingency built-in to this particular GMP for any unknowns or unforeseen items that might arise. This is GMP #01. It is really just the basics, getting the road and the site cleared so we can begin construction. If change orders were to occur, it would be more likely to happen in the further GMPs with the project, but this is the GMP not-to-exceed. If for any reason the contingency is not utilized, then it will be reallocated to the overall project contingency.

Mr. Belz: Okay. So, we can count on increases as time goes along?

Mr. Schmalz: Not for this portion of the project because it's a GMP.

Mr. Belz: Okay.

Mr. Schmalz: Unless we change the project scope.

Mr. Kenneth Colen: At a prior meeting, the Board authorized the early acquisition of long lead time components. It had two things. One, it helps assure a schedule can be kept and two, it locks in the pricing. So, what are we at risk for here? What is the District's risk?

Mr. Schmalz: We're not actually purchasing anything at this time. We're purchasing services and asphalt material to construct a roadway with this particular GMP.

Mr. Kenneth Colen: I'm talking big picture, 2024 when this plant is supposed to come online. Where would we be?

Mr. Schmalz: If we do not proceed in this manner with multiple GMPs at the beginning of the early procurement process, the facility that we currently have will exceed its capacity. We will not be able to meet our permit limitations at the South Wastewater Treatment Facility, which will ultimately require a moratorium for development within the service area. Right now, we are on a strict deadline in order to maintain services for our customers due to the unexpected rapid growth within our service area.

Mr. Kenneth Colen: What about the cost.

Mr. Schmalz: Cost is a factor as well, due to every day prices increasing. Pipe material as an example, the sooner we order it, the better. You're not even locking your price the day you order it. You're locking the price the day it ships. It's about a nine-month lead time on pipe material right now as we speak. So, as an example, when I presented to the Board at the 30% design, we were landing around $97 million with a 10% contingency. Now, a month-and-a-half to two-months later, we're landing around $124 million with a 10% contingency for the facility. So, the cost is increasing every single week. The Ukraine-Russia dispute is even causing issues with scrap material that's used for ductile iron piping on the project site where they're putting a \$3,000 surcharge on every truckload. Because there's such a demand in the market at this time, they don't really mind putting those surcharges on there since everybody needs material. They will find somebody to take it if we don't take it.

Mr. Kenneth Colen: Alright. Board members, you have before you the construction services with GMP, together with the first change order, fixing the price for site setup services. What is your pleasure? We need a motion to adopt.

On MOTION by Mr. Belz seconded by Mr. Brunner with all in favor the North Water Reclamation Facility Agreement for Construction Services with Guaranteed Max Price was approved.

Mr. Kenneth Colen: I need to execute that.

Mr. Flint: I have two copies.

Mr. Kenneth Colen: Thank you.

SIXTH ORDER OF BUSINESS Other Business

Mr. Kenneth Colen: Alright. Is there any other business?

Mr. Flint: We have a couple of items, Mr. Chairman. The first one is related to what we were just talking about. The Board right now meets infrequently, and as part of this construction, we are going to have the need for Board approval beyond what the Chair can execute and have ratified. For example, the \$2.6 million could not be signed by the Chair today without Board approval. The Board doesn't need to meet twice a month, but it would probably be a good idea to set two meetings a month, so we can advertise and you have the ability to meet if you need to without us having to run a separate notice every time another document comes in for approval. Right now, I think your regular meetings are or on the third Tuesday. The next meeting is May 17th, which is the third Tuesday. I don't know if the first and third Tuesday works. That would dovetail with your existing third Tuesday. Would that work, Bryan?

Mr. Schmalz: Yes, that would work. I would like to point out that we should have all of the GMPs completed by the end of July. That is the current expectation. So, we wouldn't need to continue meeting twice a month beyond that at this time.

Mr. Flint: We may not meet twice a month, but we have a meeting scheduled in the event you do need to meet.

Mr. Kenneth Colen: We can at least get it on the calendar and get it advertised one time.

Mr. Flint: Right.

Mr. Belz: When do you want the next meeting?

Mr. Flint: Well, it would be the first and third Tuesday of each month from now through September 30th, which is the end of the fiscal year. We won't be able to advertise the third of May, so your next meeting would be on May 17th.

Mr. Belz: The next meeting is scheduled?

Mr. Flint: Yes. So, after May 17th, we'd be looking at the 7th of June, the 21st of June, the 5th of July, and the 19th of July, etc. If that's okay.

Mr. Kenneth Colen: Do we need a motion to proceed with that?

Mr. Flint: Yes. We need a motion to set those meetings.

On MOTION by Mr. Belz seconded by Mr. Brunner with all in favor setting meeting dates twice a month on the first and third Tuesday of each month continuing through September 30th starting after May 17, 2022: June 7th, June 21st, July 5th, July 19th, August 2nd, September 6th and September 20th, 2022 was approved.

Mr. Flint: The other item that I had, Mr. Chairman, was related to the financing. Because this structure of the financing has evolved over time with the increasing interest rates and Indigo East potentially issuing on behalf of Bay Laurel, I would like to suggest that the Board authorize the Chair or Vice Chairman to negotiate the Cost of Issuance (COI) fees because they are fluctuating. I believe our timing is to price prior to your May 17th meeting. I think the scheduled date was May 10th.

Mr. Kenneth Colen: May 12th.

Mr. Flint: There won't be another meeting between now and the 17th. The Underwriter is going to need to have the COI numbers when they print the Offering Statement. So, I think the best approach would be to delegate authority to one of the Board Members to be able to negotiate those fees in advance of your next meeting.

Mr. Kenneth Colen: I would ask for a motion to delegate authority to the Chairman or Vice Chairman, depending on who is available.

> On MOTION by Mr. McLeod seconded by Mr. Brunner with all in favor authorizing the Chair or Vice-Chair to negotiate the Cost of Issuance fees was approved.

Mr. Kenneth Colen: Do we have any other business? Hearing none,

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

Mr. Kenneth Colen: Do we have any Supervisor's requests?

Mr. Baldwin: One thing that we forgot to share with you guys, last week we found out from Standard and Poor's is that the District has been upgraded. Your underlying credit rating was an A and now you are at an A plus. They cited a few items. One is the continuing growth on the customer base, the strength of financial management, strong debt service coverage and strong liquidity. So, congratulations. Bryan did an excellent job during that presentation and clearly knows what he is talking about.

Mr. Kenneth Colen: Thank you very much for sharing. Is there any other business? Hearing none, are there any other Supervisor's requests? Hearing none, we need a motion to adjourn.

EIGHTH ORDER OF BUSINESS **Adjournment**

> On MOTION by Mr. Belz seconded by Mr. Brunner with all in favor the meeting was adjourned.

Secretary/Assistant Secretary

Chairman/Vice Chairman