

**MINUTES OF THE JOINT MEETING FOR
LAKE ASHTON COMMUNITY DEVELOPMENT DISTRICT
AND
LAKE ASHTON II COMMUNITY DEVELOPMENT DISTRICT**

The joint meeting of the Board of Supervisors of the Lake Ashton Community Development District and Board of Supervisors of the Lake Ashton II Community Development District was held on February 9, 2018 at 11:00 a.m. at the Lake Ashton Clubhouse Ballroom, 4141 Ashton Club Drive, Lakes Wales, Florida 33859.

Present and constituting a quorum were:

Carol Pontious
Borden Deane
Mike Costello
Brenda VanSickle
Bob Ference

Lake Ashton CDD Chairperson
Lake Ashton CDD Vice Chairman
Lake Ashton CDD Assistant Secretary
Lake Ashton CDD Assistant Secretary
Lake Ashton CDD Assistant Secretary

Doug Robertson
Jim Mecsics
Daniel Murphey
Stanley Williams
Carla Wright

Lake Ashton II CDD Chairman
Lake Ashton II CDD Vice Chairman
Lake Ashton II CDD Assistant Secretary
Lake Ashton II CDD Assistant Secretary
Lake Ashton II CDD Assistant Secretary

Also present were:

George Flint
Andrew d'Adesky
Christine Wells
Mary Bosman
Numerous Residents

District Manager
District Counsel
Lake Ashton CDD Community Director
Lake Ashton II CDD Community Director

FIRST ORDER OF BUSINESS

Roll Call / Pledge of Allegiance

Mr. Flint called the roll and everyone recited the Pledge of Allegiance.

SECOND ORDER OF BUSINESS

**Audience Comments on Specific
Items on the Agenda (*speakers will
fill out a card and submit to the District
Manager prior to beginning of meeting*)**

Ms. Pontious: Thank you. The purpose of this meeting today is for us to have an opportunity to meet together. We can speak to the members of the Board on the other side even though we can't speak to the members of the Board on our side, but this gives

us all a chance to communicate and hopefully get on the same page. We have some agenda items that are pertinent to both of us, so we will move forward. Please remember as I call your name that we have a three minute limitation to speaking and because I am sure we are going to have a lot of opinions, we are going to stick to that. So three minutes, make it short and concise, and we will move on. The first one is Mr. John Castelli. Let's keep them in the order which they were handed to me. Mr. Howard Goodhand, Mr. Alex Vogt, and then Ms. Collette Farland-Vogt. Please be ready and we will move on forward.

Mr. Castelli: The developer is a very smart man. He wouldn't be selling the golf course if it was profitable. I feel that he can't afford it. It would be so expensive to run the golf course here. You would tack on \$5,000 on every household. I feel we need to get a lawyer to get an assessment of what it will cost. You have too many expenses. You have bridges, gold cart paths, the sprinkler system, chemicals, employees, the liability. Nobody is going to buy this golf course so let them give it to you.

Ms. Pontious: Howard.

Mr. Goodhand: My wife and I have built three houses here in Lake Ashton. We have paid off the CDD debt on one, and now we are in another house. When we sold the house on Limerick, we looked at other communities, and we decided that staying in Lake Ashton was the best thing for us. Paying the CDD debt we accepted, nothing is free. Now through some research I had found that there are going to be 1,600 homes when the building is done. That is 3,000 people. These Boards, the two of you, have to start looking to the future. Close your eyes and picture this, 3,000 people at the fitness center, or Monday Coffee, or at a CDD meeting. I got the last parking space today. Picture 3,000 people at a dance, or the entertainment center, or bingo. I think what we have to look at is restrictions, and I know that there is something on the agenda about ID cards, but I don't want to share this. I own part of this building. I pay some of your salaries. I don't want to share it. I am selfish. You should have to be a resident to enjoy these amenities.

Ms. Pontious: Alex.

Mr. Vogt: I want to comment on a few items. First is the consolidation of the CDDs. I think that is the wrong way to go. It is too hard to coordinate Winter Haven and

Lake Wales since we are two separate cities. I would like to know if that has ever been done with two separate cities before and what that costs and how that works because you want fair representation when you go vote for your CDD members. If you live in Winter Haven you cannot vote in Lake Wales. So I wanted to know if that has ever been done between two municipalities or two cities and I am not in favor of it. The second item I wanted to talk about is the potential purchase of some of the properties here. I think it would be a great idea. As Howard just spoke about the number of people we have here, we are probably going to need some more facilities and buying the sales office or the bank building across the street would be a great asset to provide more meeting rooms, card rooms, and things like that. I am in favor of buying those types of properties. The golf course is probably an item we have to be most careful on because it is a big expensive item and you have to get these things at fair market value or a good sale. Thank you.

Ms. Pontious: Collette.

Ms. Farland-Vogt: Good morning. I am just having the option today of talking because I know I have been to some of these meetings where if you don't sign up ahead of time, you don't always have the option during the meeting to talk and if I feel I want to make a comment I want to be able to. Right now I would like to just pass on saying anything other than I would like to have the option that if something is being talked about and I have a concern I will be allowed to speak.

Mr. Robertson: What specific item are you concerned about?

Ms. Farland-Vogt: I am concerned about the restaurant. I am concerned about the swimming pool and other facilities that are too crowded. I am concerned about the police and that we had to pay \$8,000 and we are told that these are not private roads, these are public roads. So if they are public roads, why am I paying, well I am not because I live in Winter Haven, but why are the people living in Lake Wales paying \$8,000?

Ms. Pontious: We aren't.

Ms. Farland-Vogt: So that is a rumor? See, that is why I would like to have the option on keeping my lips zipped until I need to and I thank you for letting me have an opportunity ahead of time.

Mr. Flint: On that point real quick because there is an issue, each District has a different public speaking policy. Lake Ashton II amended their public speaking policy to allow people who submit speaker cards at the beginning to also speak on the specific item, which is not the same as Lake Ashton I. I think the Boards need to agree what public speaking policy we are going to follow for purposes of the joint meeting since you have two different policies.

Mr. Robertson: I would like to make a comment then. What we have done is if somebody has a specific interest in a particular thing, we have our Board meeting and we discuss things, but before we take a vote, we give the individual their three minutes to make a comment because it just allows them to be more specific. It is still only the three minutes and so far it has worked pretty well. So that is what we have adopted.

Ms. Pontious: We have a lot of people here today.

Mr. Robertson: Yes.

Mr. Flint: You only have limited speaker cards. It is only people who submitted speaker cards would be able to speak on the item.

Ms. Pontious: Okay. I also want to tell us all that Mr. Tom Scali has submitted a request to speak. His topic is the golf course and he has done a visual for us to look at. I think the visual is 15-20 minutes. I told him that we probably don't have 15-20 minutes, but, Tom, if you can breeze us through what you have, we would be happy to listen.

Mr. Scali: I have seen the prospectus for the document release by the developer. Clearly this is not a prospectus, it is a document. However, I would hope that someone on the Board would walk us through, maybe explain what it means. I know there is no reality behind it, but we need to understand it. Secondly, are there any legal reasons why Lake Wales and Winter Haven CDDs cannot work together on this project? Someone just raised the question on how do we vote. Can we vote? Would we have a central Board? Hopefully legal can give us advice on that. Third, do both CDDs have the authority to purchase additional funds? It is my understanding that at least CDD I has an issue with its bonds. There is a condition in there saying that we cannot take additional monies unless they are paid off. I don't know if that is true for CDD II, but I would hope that our

attorneys can clarify if we are allowed to go out for additional funding. I don't need an answer now, but hopefully you will discuss this. How does the Board hope to go forward? Are we going to let the management company do the groundwork and provide recommendations to the Board? Are we going to develop an action plan from expertise within Lake Ashton? Some combination of both? Or should we hire an outside vendor who specializes in acquisitions? The main thing is to please communicate with the community. Keep us informed as to what is going on. This is the most important issue we have ever faced. This is a make-or-break financially. If we do not have the golf course, our property values will go down anywhere from \$10,000 to \$45,000 for the most expensive properties. That is a lot of money. We need to understand what is going on. The next slide is an organizational chart. The first thing we need to do is organize, while the second thing is to evaluate, and then we need to finally come to some decision. Because of the Sunshine Laws, we cannot have committees, so I would suggest developing consulting teams for real estate, the golf course, for financial planning, for legal, for consolidation of the two CDDs, one specific interface for the developer to develop a high level plan with assumptions and dates of completion. Each of those teams would go back and evaluate whatever data we have and refine what additional data is required. Again, two way communication with the residents is crucial. Finally, decisions. Each of the teams would come back with recommendations to the Board and then the Board ultimately makes the decision as to which way to go. I am not going to walk through each slide because there is too much detail, but again, I offer this as work that I have done that will hopefully help the Boards if you go down the path of using consulting teams. If we go to slide #10, it discusses considerations and concerns. We will have two restaurants, the Eagle's Nest and whatever the new name will be. How are we going to deal with that? More importantly, we need to secure the walking paths on the golf course no matter who owns it. I don't know Winter Haven. I do know Lake Wales. I don't know if it is documented or not, but that needs to be defined and both cities must guarantee us that those paths will remain open. Lastly, we need somehow to prevent additional development on the golf course's property. Hopefully if we decide to go

forward with purchasing the real estate, we can use some of those things for our future growth such as a second pool or maybe moving the CDD I gym across the street so we can enlarge the restaurant. Those are decisions the Boards will have to address or the committees would have to address. A committee needs to be formed to generate a set of requirements the developer must provide so we can get a true prospectus. We are talking about millions of dollars. We must be proactive.

Mr. Robertson: We have to be fair to everybody. I understand because I have personally met with you and gone through all of this, so I am not trying to be mean, but to be fair to everybody else you need to wrap it up.

Mr. Scali: Okay. Am I already beyond three minutes?

Mr. Robertson: Yes.

Mr. Scali: Then I will ask that you at least review the recommendations and take them into consideration.

Ms. Pontious: Thanks, Tom. You have done a fine job putting this together and we will review it.

Mr. d'Adesky: And it can be made available through the submittal of public record which can be requested.

Ms. Pontious: Christine may already have copies of those. Do you have any additional copies of Mr. Scali's presentation?

Ms. Wells: No.

Mr. Flint: I have a copy. I will make sure we make extras.

THIRD ORDER OF BUSINESS

Discussion of Items Relative to CDD Coordination

- A. Legal Consolidation of Lake Ashton CDD and Lake Ashton II CDD**
- B. Shared District Manager**
- C. Alternate Management Approach**
- D. Changes to Interlocal Agreement**

Ms. Pontious: The first topic on the agenda is Legal Consolidation of Lake Ashton CDD and Lake Ashton II CDD. Is there a person who put that on the agenda, and would you like to further explain?

Mr. Williams: All of those are not individual topics. I think we need to move forward and figure out how as a community we join, as many people have said. There are many different ways of doing that, combining CDDs, combining managers, there may be a myriad of different ways to do this. I am not suggesting one way or another. I am not proposing one way or another. I was hoping to get this discussed so we can at least figure some way to move forward as a group, maybe as suggested with committees of residents from both sides and maybe one Board member from both sides. We need to come together to see whether that path leads to a joint CDD as a possibility, maybe not, but what that might be and how do we go about doing that. So I guess my overall thought was can we do something to bring some committee together to look at the possible path, what the steps might be, and what the end result would look like.

Mr. Meccics: Thanks, Stan. As you know, I always view Lake Ashton as one community. I always look at it like New York City. There is Manhattan and there is the Bronx. I am not saying who is the Bronx, and I am not saying who is Manhattan, but there are a lot of considerations as far as combining the CDDs. And yes our legal officer will tell you that there is a possibility, but it doesn't come without a cost. Right now, ladies and gentlemen, there are ways that we as two Boards can work together. I agree with Stan. We need to work much closer together, but I think that is something we need to keep in the back of our minds right now and we need to think about working together as two Boards and not one. As Mr. Scali said, we have a two hundred pound gorilla sitting in front of us that we have to go around or approach first. I always put things in priority being a military guy. While combining the CDDs is nice, I think if we continue these kind of Board meetings and continue communication between the two Boards we can explore other opportunities, but at this time I think we have much bigger obstacles that we have to overcome and work with.

Ms. Pontious: Andrew, can you give us some idea of what we would need to do to do a combination and do you have any cost projections?

Mr. d'Adesky: I think I presented it to both CDD Boards separately, but I will say it again here today, and while there are lots of ways to combine formally and informally.

The informal way to combine, one of which the CDDs have already taken is the interlocal agreement. You can always work on those interlocal agreements, tighten them up and be more specific. We have different Districts that have different interlocal agreements that specify different ways that they cooperate, but if you are talking about actually merging the CDDs, that is a statutory process. It is dictated by the statutes. To answer the public comment question, it has been done before by other Districts. The requirements are pretty specific and it is pretty specific on how the members are selected after the merger. Initially you select two members from one side, and two members from the other side, and then one extra member can be from either side per mutual agreement between the Districts. During the next election cycle, two people are elected from the former CDD I, two people are elected from the former CDD II, and one is elected at large by all citizens within the combined boundary of the merged CDD. In terms of the costs, the costs are variable. The largest and most significant cost, and this is for any establishment, expansion of the CDD, is what the cities are going to charge for their administrative fees. Frankly we have had some cities practically waive their fee, and we have had some take the statutory amount of \$15,000. Being conservative, we don't like to make an assumption that they are going to waive a fee. When you take that into account that you would have to pay a fee to Lake Wales, Winter Haven, and to the state, because ultimately this will be ruled on by the state judicial commission, it would probably be in the range of \$60,000 on the conservative side. Now granted if those fees were lower, which I cannot attest to, that would be a significantly lower cost. Our fees on our side aren't going to be very high on that because we are working for both CDDs. If there were two counsels, it would be much higher costs. The process itself is not very intensive. The biggest issue is coming to an agreement as to who is going to be on those Boards, what is going to happen to the assets, and what is going to happen going forward in terms of that. So once all of that is agreed to, that is really the biggest first step in going and getting those approvals. And to be clear, the state is the one who ultimately has the final say to approve whether it goes forward or not. Yes we have to pay a fee to Lake Wales and Winter Haven, but the state is the one who would decide.

Mr. Robertson: A couple things in the process. One, we are one community and we want to be one community and behave as one community. That can be accomplished, but there are two pieces. One is how we manage our amenities, which are the prime interaction with all of our residents. How do we book our rooms, how do we do different things like that? We can do that through a unified process where if someone wanted to book something at the HFC from over here they could. If we had a coordinated system, it would be transparent. The whole community would just work as one community working together. That could be done by a common staff that works between the two sides. That is one of the proposals we talked about, how we might accomplish this. The second piece is how we administer our funds and maintain our buildings. To maintain the HFC and the cost to maintain the HFC, one Board can easily handle those issues ourselves the same way CDD I can handle the clubhouse. So to combine the two CDDs to make decisions about how to maintain our buildings isn't really necessary. We are really quite competent at doing that right now I think. What the community would like to see is how we just operate as one community and that is through all of the amenities we have. If we have a single staff, single organization running that, responsible to both Boards, I think that would work very smoothly and everybody in the community would feel like they are just one community. So that is in essence one of the proposals I put on here to discuss. I think we can solve this without having to spend the money and going through the effort to formally put the two together. And we will have the opportunity to deal with that as to how well we can cooperate because as the big gorilla as it has been suggested is dealing with the golf course. The decision process we have to deal with right away is how to handle that. That is going to go forward much faster than joining the CDDs. We have a good opportunity to demonstrate to you that we can cooperate as two Boards and do something for the good of the community as a whole.

Mr. Ference: Doug, so I understand that you are not in favor of merging and you would rather have interlocal communication between the two CDDs?

Mr. Robertson: I think that at this point and time, if we do the stepwise process and combine the amenities activities so we look like and behave like one community as

we use our facilities and everything else like that, we can accomplish that ourselves and without having to go to the state to ask their permission. If we can accomplish that right now, we have to deal with the golf courses right now, we have to deal with those issues as two Boards, and if going through that process we find that is sufficient and we are doing really well, why would we spend the extra money to combine them?

Mr. Ference: So if we have an interlocal relationship, you still see that as our being one Lake Ashton?

Mr. Robertson: Absolutely. I think the example I am looking at, there was a pothole that I went and looked at, and our guy was here so we got a price.

Mr. Ference: How is that any different than what we are already doing now aside from just forming more committees to work together? We are not doing much more to encourage a unity just by having committees working together.

Mr. Robertson: Not just committees. Amenities employees that you are in the process of bidding, if we combined that into a single bid where we jointly find an amenities staff that was common to the whole community.

Mr. Ference: But we have a management style here to hire employees through our management company. Would you have us disengage that in favor of your model?

Mr. Robertson: No. I foresee that the same company would be offering the same services. I think that GMS could bid the process. If we were to be able to combine our two requirements into one joint RFP, I think that GMS would be very happy to do that and we can as we did when we rebid the security contract, every single employee that we thought that was important to the community that was on the security staff remained within the community. We didn't lose a single person that we wanted so the same process would remain here. We would keep every single staff member that we like and it could be integrated into a unified program.

Mr. Ference: I don't understand how it is interlocal if GMS were to manage both yours and ours. It would not be interlocal, it would be singularly done by one company.

Mr. Robertson: Yes. We would need one GMS contract that we would both support. The two Boards would support one contract.

Mr. Ference: But who is to decide that your security should be different from ours? I don't understand the distinction that you would rather have your own security, which you voted on as opposed to having the same one, but you want to have a management company managing both sides?

Mr. Robertson: Please be careful. We had eight votes in favor of a common security company. Our Board decided on a security company and your Board decided at the second vote, somebody changed their vote, and decided to split it in two. Our Board did not do that. We are still capable of having a single one. I am not trying to criticize anybody, but they voted and it ended up splitting it. We didn't have to split it. We could have had a common security system.

Mr. Ference: If we were to have a common security and common management system, wouldn't that lend itself to a true merger, not just interlocal relationships?

Mr. Robertson: You wouldn't have to spend all of the money to the government to put us together when we have already demonstrated that we can work together.

Mr. d'Adesky: I guess the question you are asking is practical similarity versus legal joinder. Technically even if it is the same security company, it is technically two different contracts, which they as we have seen, they have the freedom as a separate entity to choose a separate contract, as they do with the landscaper, pressure-washer, anybody else they use. So that is the difference between talking about an actual legal joinder and becoming one entity and having one contract versus agreeing mutually in a collaborative method to do so. That is two different things, so I hope that distinction makes sense.

Mr. Deane: At the present time, we have a management company. Their Board takes care of their management. I am trying to understand that.

Mr. d'Adesky: Can I clarify one thing that I think is very important? There are two separate functions that seems to be clear. There is a District management function, which is required by statute. You are required to have a manager that does certain functions, auditing, accounting, minutes, etc. That is a separate contract from onsite amenity management. So Lake Ashton II still currently has GMS performing the District

management functions. They do not have onsite amenity management. They directly employ those employees that are performing those functions. Lake Ashton operates differently. It sounds like the suggestion is to have one onsite amenity management contract servicing both communities. Technically it would still be two separate contracts, but you can jointly bid it as you could bid landscaping together, security together, etc., to get that economy of scale and perhaps get better offers and rates from those vendors.

Mr. Mecsics: Our model is the employees, Mary Bosman and those folks work directly for the Board. There is no flow through, no management, and that is how we retained them on an economy of scale, but it does take a little bit more oversight from various different Board members. But as Andrew said, by law the District Manager is contracted with Mr. Flint.

Mr. Ference: But he is not responsible for Mary's relationship to you, is he?

Mr. Robertson: No.

Mr. Ference: So how do you provide Mary with vacation time, health insurance, retirement benefits, etc.? How do you do it when you hire her yourself? Are you skilled enough to be able to provide those services for each individual? How do you do that?

Mr. Mecsics: We do that currently right now. We work through that, but there is no real science to that, but we do provide them with salaries, with a benefits package, all of the HR aspects. The Board does all of that.

Mr. Ference: But who does that for you? Who provides the 401K, retirement, vacation, insurance and all of that? How does it work?

Mr. Mecsics: When we vote on those, that is partially what the Board agrees to as far as compensation and all of that.

Mr. Ference: So you have an insurance company that provides all of that?

Mr. Mecsics: We offer them compensation so they can attain their own. It is different from what you have.

Mr. Ference: Okay. You just give them a salary, but they are responsible for their retirement and health insurance?

Mr. Mecsics: We give them a salary and there are certain statutory requirements like unemployment compensation, workman's comp, and those sorts of things. However, the benefits package such as insurance and that, we can give them so much money for that and then that leads to them being able to choose to do it their own way.

Mr. Ference: And that is the economy of scale to have them do it on their own?

Mr. Mecsics: I am not going to pick on my good friend George, but let's say Jim Mecsics is a janitor and I work here and make \$50,000 a year. Whatever else we put on them for what we call a burden rate in the contract, then that would give that. Sometimes when you have management companies, you get a multiple of that. So if Jim Mecsics has agreed to \$50,000 a year as a janitor, the management company could get a multiple of 1.5 times that salary, which would be \$75,000.

Mr. Ference: What management company? GMS? I didn't think GMS had anything to do with that, though?

Mr. Mecsics: They don't with us, but with you they do.

Mr. Ference: But how do you deal with individual people and their benefits?

Mr. Mecsics: We hire them directly.

Mr. Ference: But is it economy of scale for them to go out and find their own insurance coverage? I don't understand that. It seems to me it would be cheaper to do it the way we do.

Mr. Robertson: What we want to do is bid this out if we decide to do it together, and we can bid it out to an outside amenities service company like GMS, they can give us the pricing that way, and we can also evaluate pricing doing it ourselves and managing it ourselves. Then we can weigh the two choices and see if it is worth the extra money to do it that way versus the other way. It still gives the entire community one common face to the community, one system to book something, one way of handling everything. I don't want to debate the actual costs because other companies may come in and be very competitive to what we are doing. We provide health care benefits. We provide all of those things so if there is not a lot of risk from their point-of-view, they don't have to mark up the pricing. So you can look at their cost of their bid versus an in-

house operation and we can decide as two Boards which one we like. I am willing to go with either one, whichever is the best solution.

Mr. Ference: But what about what you are doing now, not what you are proposing to do.

Mr. Robertson: Right now we manage ourselves. We have the experience to do this. I am not going to apologize for my experience.

Ms. VanSickle: The way it works right now we have two different CDDs in two different cities. We take care of the clubhouse and our amenities, you all take care of your clubhouse and your amenities. I think for the most part that works. I think what we need to work on is those two Boards working together, for the residents so it should be seamless, but because of the finances involved, taxes, and all of the legal fees to get that changed, do we want to go there right now or could that money be better spent on other things? I think we want to work together, the two Boards, but keep the CDDs separate. For big objects we might have to work on something together going forward, but for the time being, I think what we are doing is working. We just need to work together. For the residents it should be seamless, but behind the scenes, I think the two Boards is fine.

Mr. Costello: I agree with Brenda. We have to work together and I think one of the best things we can consider doing, the Sunshine Laws tie our hands so bad because of the fact that your people can't talk to your people, our people can't talk to our people, but I can go talk to any of you. It is insanity. It really is. But by the same token, if we are going to take the important things that involve both communities, like security, amenities, different aspects that both Boards can approve one person and allow the two of them to talk together and be more-or-less a liaison between the two communities, I think we would be able to prove to everybody that this is one community.

Mr. Robertson: In my written proposal that I submitted last time and sent to your Board, I said if we set up a common amenities organization and we can bid it any way we want, it gives both transparency to the community and then you assign the two Chairs of each Board to supervise that company. Obviously I don't want to be in conflict with Carol about anything. I would much rather resolve those things with the professional

District Manager and run things properly, and then only if we had something that was really different would we have to come back to both Boards and say we have a conflict. I cannot imagine anything of that nature because we are talking about how to run amenities. We are not talking about whether I change my roof now or later. That is your call when you want to do that. It is my call on when we want to do that on this side. So we are not trying to combine those things which are more controversial. We are just trying to run a consistent homogenous amenity.

Mr. Costello: And I agree with you. I think the key to it all is going to be communication. We have to communicate between the two CDDs.

Ms. VanSickle: One concern, though I like the idea of having the two Chairs liaison and talk together, but as far as supervising and controlling, this is a five member Board and I think any decisions need to be made by five members. That is my personal opinion. I have the upmost respect for our Chair, but I think anything important needs to come before all five of us. I am not looking to delegate that.

Mr. Deane: That is what has kept things running so smooth on our side. Everything is a joint decision and every made decision is voted on. It is not one person doing everything.

Mr. Robertson: That is not the suggestion. You misinterpreted it then because if GMS were to win the contract to provide the common amenities, you would be operating exactly the same way you are now. Our Board would be changing by hiring GMS to do the amenities. You don't supervise each individual member. You have delegated that to GMS. That is one of the models we just talked about. GMS would be the common thread for both of us. It is not an intention to concentrate power to one person. That is of no interest to me whatsoever. That is exactly how you are running it right now. You have a Board and GMS reports to you as a Board. We would still have that.

Ms. VanSickle: But you said the two Chairs would be overseeing that.

Mr. Robertson: Just for day-to-day. For any issues you have on a regular monthly basis it would be discussed.

Mr. Williams: Just for my clarification more than anybody else's, the standard contract is the same for all of the statutory requirements. We both have that. The only thing that is different is the amenity management. Under the current way it is done, all of the employees and contracts are managed on Lake Ashton's side by GMS and we are suggesting to do the same thing? Is that what we are suggesting that we do, too, Doug?

Mr. Robertson: No. I said that we should be bidding it so GMS can offer a complete amenities package, but we can also bid it and see if the Board might want to manage that managerial function through the Supervisors and hire its own employees. Either way, it still makes it look like one community. One method may be a little more expensive than the other, and we may decide if it is worth it or not worth it, but it still doesn't change how we as the Board decides. George comes back to us every meeting and reports on the activities that he is responsible for, and we as a Board decide the same things on the Lake Ashton CDD Board. But on a week-to-week basis, George makes decisions on how to run this facility on his own. It is a delegated responsibility to run the facility, to schedule people, to fix golf carts, etc. All those things don't come back to the Board. He brings back things that are beyond his delegated authority and the Board makes a decision. I am not trying to change that at all. Not one iota. I am retired. I don't want to do this all of the time.

Mr. Williams: So you are talking about putting the second part of the contract, the RFP two ways. One with a District Manager managing and hiring all of the amenities and all of the people and all of the contracts, and the other way for the Board to do it. And we will see what we come back with. I don't think that is much different than what we are doing now. Beyond that if it makes sense to go further then we can.

Mr. Mecsics: It bears for us to consider this because both Boards are going to have to vote on that and agree to that. I agree with Mike that we need to communicate a heck of a lot more. Our Board has designated something to each of us to handle. I have public safety. What I would like to do is have your Board appoint one of your people to the same things because we can talk to each other. I can talk to Mike Costello or whoever else one-on-one without worrying about the Sunshine Laws. We can talk about public

safety issues. So I think in the interim we should move in that direction and then we will be acting as one.

Ms. VanSickle: But right now there is nothing preventing you and me from talking about security, Dan and me talking about landscaping, etc. I don't want to prohibit that in any way.

Mr. Costello: Let's try to designate one person from both sides to talk about common things that affect both sides in order to make it one community.

Mr. d'Adesky: That is what many of our larger CDDs do. They have one representative come forward with all of the concerns of the other District or other entity such as a HOA. They will come forward with one representative that will come do a report just like there are attorney's report, field reports, etc., you have a liaison report. They will come to the meeting and give a report on common interests and what the other Board is thinking of doing. That is just how some other people do it, and that is in line with what was just said.

Ms. Pontious: I just don't understand why we are not doing that when we have had the opportunity to do it. For instance in scheduling, there is no reason we can't schedule an event at the HFC from here or vice versa, yet we can't do that, and now we have reached a point where if you have an event over there you have to even buy tickets over there. You can't always buy the tickets over here. Those are the kinds of things that I think the community needs to have be more seamless. So whatever is happening within the community you can purchase tickets both places, you can make commitments both places, and there is not a line drawn someplace in the sand that says if you want to do that you have to hike over to the HFC to do it. I think that is where we have gone astray and we need to get back on target with the things like that which affect the residents.

Mr. Mecsics: We have two community directors sitting right here. There is no reason why they can't work together to come out with a common scheduling or a common way to buy tickets for both. It has always been there. Yes there may have been some conflicts, but I think we have two ladies that can work together on it so that would be my recommendation to do that and go forth and prosper.

Ms. Pontious: I think that is where we need to start. The things that affect the residents the most need to be seamless. The financials and behind the scenes things that have to go on, we can deal with that, but we would really like our residents to feel like they are welcome no matter where they are, in what room, in what building, and there is no discrimination based on where you live as to whether or not you can use this or that. I think that is where we have gone astray.

Mr. Robertson: We have two different software programs for scheduling that we can look at combining and sharing equally. We have Monday Morning Coffee that we could also do jointly, taking alternate turns. That would work very well. I know we had some issues around new member orientation. Carol and I met and discussed that, and we came up with a great solution already that has new members getting orientation packages immediately when they come in. Then when we meet with them and have a new members orientation social, we invite the Board members from both sides to come in and instead of telling them after they have been here for three months to put out their trash on Thursdays, they already know all of that. So they get to meet the Boards and have more in depth discussions having been here for a while. We have worked on that already and we have had very successful joint orientation meetings since then. So I think we are working to resolve those problems already.

Mr. Williams: As far as the RFP going out, how do we proceed to put out the two RFPs from the joint Boards?

Mr. Mecsics: Right now our Board has voted on doing the RFPs for legal services and for District management services. That has to be written, reviewed, and changed at our Board level, not as a joint.

Mr. d'Adesky: At this point, Lake Ashton I is contemplating a RFP for onsite amenities services. They are not bidding out District management services. Meanwhile Lake Ashton II, which does not have onsite services, is bidding out District management services and legal services. I guess if Lake Ashton II goes through with it, they will need to resolve those issues first. Now Lake Ashton I would need to amend the RFP to include as a service area both Districts and also specify that there will be two separate contracts

with both Districts. We have done RFPs like that, but that would require an amendment of the RFP. That is the status as of right now. And to be clear, you could have a different CDD manager and onsite amenity manager. Those are two different things and those are two different services. It just so happens that GMS overlaps, but GMS is one of the few entities in the state of Florida, and we know this from working with many other CDDs, is that they are one of the few entities that does both. There is one other that does both, but most specify in doing one or the other.

Mr. Williams: I guess I don't understand why it would have to be separate. The District management contract, which is statutory regulations and all of that, is the same for both CDDs. Exactly the same. Then why do we need two?

Mr. Deane: Because it is two CDDs and it is the law.

Mr. Flint: It could be a tri-party agreement.

Mr. d'Adesky: It could be a tri-party agreement George just said. We have that sometimes. We have it for landscaping, and it would have probably been one if the security had been the same.

Ms. VanSickle: We both use the same landscaping company. I think they do an excellent job. You have a contract with them, we have a contract with them. Residents drive around and see that it looks beautiful everywhere. The contracts work. I don't see any problem with keeping the contracts separate on what needs to be separate, but the residents experience needs to be seamless. I think the separate contracts are fine. We have our amenity management, you have your amenity management. As long as the residents are able to go back and forth seamlessly, not are you from the east or the west. That is what we need to get rid of. We need the experience to be the same.

Mr. Costello: Another thing we have to look at is communication that goes out. There are times where especially like after a hurricane, we had messages going out from two different CDDs that were so redundant you were getting the same message. It would be great if Mary and Christine could sit down and iron it out so they put out one communication to the entire community. Communication is a big part of the game here. If we want to be one community, we need to talk to each other about it.

Ms. VanSickle: I think communication is the biggest thing, as Mike just said. Have one e-mail blast sent out with information throughout the entire community. I have to give kudos to Lake Ashton II, you all did a good job after Hurricane Irma because you got the information out and I think you did a good job, but I would like to see that go to the entire community.

Mr. Flint: If this is something the Board wants to move forward with, obviously Lake Ashton CDD is already in the process, and if it is something Lake Ashton II CDD wants to move forward with, then you probably will want to both approve the same scope of work and bid documents, whether you are going to enter into separate agreements or not. Lake Ashton CDD has deferred it for thirty days so they haven't made a decision on their scope and it is going to be on their March agenda. So if Lake Ashton II CDD wants to do a joint bid, we can do that. Probably the best thing would be to appoint a representative from each Board to work on the scope of work together and then Lake Ashton II CDD can either continue their meeting this afternoon, or schedule another meeting for March to coincide with Lake Ashton CDD and deal with it that way. I see that as a way to move forward if that is the direction you want to move towards.

Ms. VanSickle: What is the benefit of putting it out together if you are going to have two different contracts? I see subtle differences between the two. We have different amenities that we are handling.

Mr. Flint: You may get a better cost because you have more facilities. You may or may not. I think one of the keys to the coordination and it is going to be better if you have one same amenity management company versus two just because the nature of it will be that coordination will be better. It is not to say that you can't come with ways to improve coordination with two different companies, it is just probably going to be easier to have one, but it is up to you all on that one.

Ms. VanSickle: Are you recommending one contract or two?

Mr. Flint: It is really up to you, but if you have one contract and you have a tri-party agreement, it is more limiting on each legal entity as far as terminating the agreement and things like that. That would be the shortcoming of a tri-party agreement,

the ability to take unilateral action if you decided you wanted to do that. If you have separate agreements, then you are free to do whatever you want to do.

Ms. VanSickle: I would be in favor of the two contracts because I think that works. Just like we have proven with landscaping, it works.

Ms. Pontious: I feel badly that it is this time of the year because Christine has been great with everything, but at the first appropriate time period, if the two of you can begin to look at the issues that affect both resident sides and come up with some solutions as to how we can get back on track with one thing versus two, and maybe we do part, they do part, but I think the Monday Morning Coffee meetings, the orientations, the scheduling of events, the ticketing, the messages going out, all of those are really valuable assets to have being one community. So if we can charge them with trying to move forward on those issues, that is going to be the resolution to a lot of our issues right there. That would be a good first step, so if you would do that, we would appreciate it. Shared District Manager, we have already discussed. Alternate Management Approach, done. What about Changes to the Interlocal Agreement?

Mr. Williams: That was a little bit separate from the other ones. At our meetings, we have had one or two residents come up and have had some concerns about current and future facilities. The first concern was about the current facilities. There have been rumors or talk over the last eight to ten years about maybe closing down certain amenities, like the bowling alley or whatever. Those are decided by individual Boards. The residents who talked to me were wondering if something could be done to the interlocal that would require more of a joint voice before a decision is made to close down an amenity. On the other hand, if we are going to provide a new amenity, such as another swimming pool, is there something we can do with an interlocal agreement where we share the cost and process of that? Those are the two things that have been brought up, the current amenities and future amenities, and is there something that needs to be added to the interlocal agreement that takes care of the concerns from both the east and the west.

Ms. VanSickle: I think my take on this, and correct me if I am wrong, but we each have our own amenities that we take care of. We have a bowling alley. We have the

restaurant. We have the outdoor pool. We both have tennis courts. You have pickleball courts. We have the indoor pool. When we have gone forward with things the side that has had to fund it is the side that has to maintain it. We are a little bit further down the line than you are, but as you build out, I see those as your responsibility. I know everybody gets to use everything, but we put a lot of money into that bowling alley. We refurbished the cinema. We see that as our responsibility and we do it for the community as an entire community. We are not saying it is just for this side. It is for everybody. So going forward, if you all decide to put in another pool, I think that is a responsibility you will have to maintain.

Mr. Williams: I disagree. With something as big as a pool, I don't think one side is going to be able to do that on their own. I don't believe that is going to be cost effective to do it on their own. And what would happen if we decided for instance that we want to expand the sports court, and take down a wall and do away with the racquetball courts? I think that would hurt some people. So before we did that, I would think it would behoove us to have some way of ensuring that you have a voice in that.

Ms. VanSickle: All of these meetings are public meetings and everyone is invited to speak. I make a point to attend Lake Ashton II's meetings and I know some of your people attend ours. I think that is a good thing.

Mr. Ference: Stan, I think going forward what you are saying is correct. If we are going to build a swimming pool to serve both communities, then I think we should share the cost and decide where it is going to be. But existing facilities, I think Brenda has spoken well about that. The existing facilities through the years have been our responsibility past, present, and I think future. I think if we decide that we want to turn something into something else, I don't know that we should look to people who don't have the history. I don't know if that is a reasonable request. Going forward, I think cooperation and sharing is very significant, but for existing amenities, I think we should each manage them, take care of them, past present, and future.

Mr. Murphey: I think what Stan is trying to say is all of the amenities, and I know at some point there was a possibility that you weren't going to go ahead and refurbish it

because it was cost prohibitive or whatever. Obviously that amenity affects a lot of people on the west side, too. I think what he is trying to say is rather than the Lake Ashton CDD Board unilaterally say you are going to close it down, we get a say. As Brenda said, people can come in and comment and give their opinions and so on, but maybe there is a way that we can do situations like that as a joint meeting rather than it just happening and we can't do anything.

Mr. Ference: We were talking about the kitchen being too small. We said maybe we should move the sports court out to make the kitchen larger because we feel that is required. So we want to close down the sports court and put it somewhere else or maybe wait until the future and design something else. I don't know.

The record will reflect that the recording cut off at this time.

FOURTH ORDER OF BUSINESS

Implementation of Card Access for Amenities

After a brief discussion, it was determined that Mr. Costello and Mr. Mecsics would work together on an analysis regarding this item.

FIFTH ORDER OF BUSINESS

Potential Purchase of Developer Assets Including Golf Courses, Sales Center, etc.

Mr. Robertson: The piece that is missing that we need to talk about is he is losing money on the golf course operations. That is why it is not worth much because he is not making any money. Some people believe that the prices of the golf course membership, people think it is rather high, and some people have left the community and go golfing elsewhere. If we have 25% membership right now, one in four houses are members of the golf course and that results in a net loss if we are all built out of about \$400,000. That is \$235,000 a lot. That is under \$30 a month that the shortfall would occur. If we change our membership by getting people back and move up to 30% resident, then the cost of the golf course would be zero. It would be self-sustaining. The 30% people who play would pay for the entire golf course. If we had tiered memberships for people and

walkup arrangements where people who are members of this community can walk up and pay the daily fee, you can't reserve in advance because the people who pay the big bucks will get the nine o'clock slots and the eight o'clock slots, but if you want to come at two in the afternoon and pay a fee, you can play at the golf course in your own community. Right now we don't have that happening. So there are ways to get our membership up from 25% to 30%. That is not really an outrageous number. If you want us to do this, we would need somebody from each Board to negotiate with Mr. Maxwell, do a proper analysis of what the costs are so we can come back and give a full Board report, and see our way clear to purchasing these golf courses with not a single extra penny spent by the members if we do it the correct way, and if we fell short of our expectations, the size of the problem would be \$30 a month per household. I think that is a doable number versus selling to somebody outside of the community, but somebody has to negotiate that, and sit down with them to get the right numbers. And then at that point you would bring it back to both Boards, we have a public meeting so everybody here knows exactly what is going on, proper communication, this is the value of the piece and what it will cost, and go through all of the steps of why we think we can actually manage this golf course. Eventually the Boards will have to make that decision based on the feedback we got from the public. I think that is a doable solution rather than doing nothing and having it sold outside.

Mr. Deane: Does that include the pro shop and the coffee shop and everything else in there?

Mr. Robertson: That includes The Eagle's Nest and the golf courses.

Mr. Deane: What kind of revenues does The Eagle's Nest produce?

Mr. Robertson: I don't have those numbers right now. Based on the information he gave me, I have created an analysis on what I was able to work out on a per lot basis and based on reserves, I figured out if we do it this way, we can probably afford it and not hurt our community in the process. That is how I am approaching it for all of us. I don't have all of the numbers yet. That is why you have to designate somebody on this

Board to go and say you're authorized to deal with Mr. Jim Lee primarily, see all of the pieces, and say these numbers are valid and we can do it for that amount of money.

Mr. Ference: I am a member of the golf course and I would volunteer to be the Board member representing us.

Ms. Pontious: Can you tell us how many houses are remaining that he owes?

Mr. Flint: It is 289 houses.

Mr. Robertson: So that money is promised and guaranteed contractually if he takes that money as part of the negotiation, and we take over the operations. The other thing is, when you own the golf course as the community, we are probably more apt to look after it. I am sorry, but I know lots of people play on the golf course like I do and we drive out there where we probably shouldn't and we don't do things that we should because it is Maxwell's money, not ours. But if we own our own golf course, we would tend to take a little more care because it is our own as opposed to somebody else's. So that will help us. We can manage our costs and bring them down. I know we have some people who have experience running golf courses. I actually know that this poor gentleman beside me running a couple of Air Force Bases has also had four or five golf courses over the years. If you think about how running a golf course on an Air Force Base, all retired generals and everybody else in there trying to play golf every day, believe me, he has dealt with retired people and golf courses.

Ms. Pontious: This number does not reflect the maintenance building, nor any of the equipment, right?

Mr. Robertson: The equipment would be included. The maintenance building is the wild card. I know we talked about that when I talked about all of the other amenities. So that is where we are at with the golf course. Personally it doesn't scare me and I think those numbers are well within how we can manage it. The only decision to make today would be to appoint somebody to negotiate with Mr. Lee.

Mr. Costello: I have one question on that. What is the projected time before you complete the other side as far as building goes?

Mr. Robertson: Three to five years.

Mr. Costello: As time goes on, do you think the price will go down due to the fact that he wants to maintain these courses in order to sell houses, and are we better off maybe to hold back a little and maybe see where the price goes? I just don't see it going up, not for these courses.

Mr. Robertson: With passing time, he gets \$10,000 for every house he has sold so that is off the table because he has already gotten it. So there is \$2.6 million that has already gone into his pockets. If we take this step earlier, then we would be getting that revenue instead. That is one good point. There is not going to be any rush to get more members to come back because a lot of people have said that they don't like the way they are running it so they are not golfing there anymore. If we take it over and make it part of our community, then the choice becomes that I can go spend my \$30 outside somewhere else, or I can spend the money inside. I think we get more members to come back, which will help the community in the long run.

Mr. Costello: That makes sense. Personally I don't want to be in the position of looking into it because I don't know that much about it, but if you feel we should appoint two people, then let's appoint them and have them negotiate.

Mr. Ference: I think you are absolutely right. I play with guys who will go to Sebring before they play here because they pay \$17 or \$22. They try to play here and it costs \$25 for nine holes, but they can only play twice a month. Tiered memberships for people who are here seasonally should be available. And there should be some opportunities for people who play more than just twice a month. I think there is a way to arrange memberships so that the people who live here have who have an invested interest would play here more often if they had the opportunity between memberships and pricing.

Mr. Robertson: If we have that flexibility to look at all of these choices we can all get it right the first time. I don't know anything about this business. I am an engineer. When I design something I never get it right the first time. If we decide something and approve it, it will take a while to fine tune it, but we will get to the point where I think if

we would have all the members we need, then they would be able to enjoy the golf course, it would pay for itself, and it would maintain our property values.

Mr. Ference: Absolutely.

Mr. Robertson: Can I go on to the next piece?

Mr. Ference: Shouldn't we choose a member to represent the golf course?

Mr. Robertson: Let's finish the whole discussion first, then we can decide. The other pieces of property that he wants to sell are the retail sales center, the RV storage facility, the maintenance building, and Lake Ashton Realty. In the analysis I included everything. The first thing I would say is that I was told by George that Lake Ashton Realty is not an amenity and I don't even think we are allowed to own it as a CDD. It is a business. So we can eliminate that. I talked to him about the other items since they gave us a list of everything for sale. They said they would be quite happy to keep Lake Ashton Realty and run it themselves. They said they are really good at that business and know how to sell and entered a long term lease agreement on the property for their portion of the building. The total cost of all of the items to purchase is \$5.777 million. The estimated income, and of course we have to confirm these things, but he is telling us he will sell us these items because they are profitable and he sold things on multiples of earnings and profits. That is where he comes up with these numbers. If he can't justify these numbers, his price has to come down. His estimated income is \$687,000 off of these operations. A ten year note to pay for these at 5.5% I was told is \$640,000. So the expected revenue if we were to buy them, we would get \$43,000 a year more in income than we are paying to buy them. That would be for a ten year period. After that ten year period, that \$687,000 would just go into the pockets of our two CDDs to support ongoing operations. So in the long run, it would probably have a tendency to reduce the maintenance costs rather than increase them. The down payment that he would want would be 15%, which is around \$860,000. Actually it would be a little less because the Realty would go away. As a reference point again, the cost to purchase these things, there would be no assessment involved, would be a value of \$4,300 per lot to buy all of that

and we would expect a revenue of about \$680,000 after the first ten years and \$43,000 in the first ten years.

Mr. Costello: Do we have a way of verifying any of this?

Mr. Robertson: That is the whole point of doing this analysis to see if we want to even go talk to him any further. When I read those numbers and wrote them down this way, it looked like it was a doable thing. So we would have to go in and examine everything. When you acquire a business, they offer it up, you go in and go through the process of seeing are the sales where they are, are the products where they are, and once those things are confirmed, we come back to the Board and say this is our recommendation on how to proceed. Now this is a lot. So my recommendation is to start negotiations on the golf course and have a stipulation where we want the right of first refusal on all of these other activities. I don't really want to digest all of this at once, but if we can say we will start with the golf course because that is the highest priority and once we decide it is a good purchase, once we have assimilated that into our ongoing operations, we can then buy the second piece if we thought it was appropriate or ask for a right of first refusal for the second thing and do this on a two-base approach rather than try to do it all at once.

Mr. Deane: Your numbers would change dramatically. It would be \$4,700,000 and it would be a \$750,000 down payment assuming the income numbers are correct and wouldn't change. So the only cost involved would be the initial down payment, which changes by \$150,000. That makes a big difference.

Mr. Robertson: What we really want what I thought in my mind is separating it because we really want to solve this golf course problem first, and then this other piece looks reasonable enough to say we have the right of first refusal so we can look at that when we have the time and management talent to do the second piece and we will also have the history of working with them on the first one. So my suggestion was that we don't pursue all of these other buildings until we have dealt with the golf course issue.

Mr. Deane: I agree with the way you are going, but I heard you wanted to do it all at one time.

Mr. Robertson: That is why I had this conversation. I told him if he expected me to go in front of the Board and our community and ask for a big operations and maintenance assessment to do these things, he was crazy. It would never happen. I am not going to recommend it or even offer it so come up with a way to make this work for us. Mr. Maxwell is I think 77 and doesn't really want to own these things anymore, so I said give me a way to be able to buy these things without scaring myself and all of our residents with a high O&M cost and come up with a cash flow that makes sense to us. So that is what I have started with now. Another thing I asked, why ten years and not fifteen. Then at fifteen years our positive cash flow is much better and allows us to do this. I have to do one iteration to figure out whether this was an unbreakable problem we couldn't deal with or if it was something we could adjust and I came to the conclusion in my analysis that we could actually accomplish this. I wouldn't want to put the burden on all of our current residents to buy this out so I would try to extend this as far as I could so that was paid for by the members who lived here over time. But to try to charge everybody right up front is not fair to the community and I didn't want to do that. I can't tell you what the numbers are. Whoever you select will have to negotiate and try to get the longest term spread out number that we can deal with. This is money Mr. Maxwell doesn't want to spend himself. Yes he wants it for his children and their trust funds, but when the money comes in is not as important. So I think I would try to push for a longer period of time. I would give ten years to start with, but try to negotiate for longer.

Ms. VanSickle: That is one of my major concerns. If he is losing money on this and wants to get rid of it, how much are we going to be indebting our residents? It is good to think about if we do things differently we might make money, but at one time people thought we were going to get rich off the restaurant and that didn't happen. So I would like to see us go very cautiously. I don't know anything about owning a golf course. From what I hear, it is not a particularly good position to be into, so I want to see a lot of research and hard numbers before we even consider doing this.

Mr. Robertson: Absolutely.

Mr. Costello: I think we also need a lot more input from the community.

Mr. Robertson: Yes, we do. Having public meetings to share the information that we have learned is the way to go. Having all of this documentation that you want to see is the way to go. The question is do we say no thank you and let him do what he wants, or do we try and negotiate with him to get the best possible deal we can have? And again, it is a community-wide communication and joint Board decision as to whether that it is something we want to do. The first step is to authorize somebody to at least talk to them.

Several residents: You.

Ms. VanSickle: How about the two Chairs?

A resident: How about an expert in buying and selling golf courses? You wouldn't pay this much for a golf course that is losing money.

Mr. Robertson: The way we are structured we cannot respond. That is why we have our forms in front and comments later. We cannot just make this into an open town hall meeting with back and forth. That is not how we are authorized to operate. That is why we have the joint public meetings to communicate. The Boards have to decide now whether we want to continue some form of dialogue with Mr. Maxwell or if we want to say no thank you and let him go his own way.

Mr. Ference: You would be our obvious choice, Doug. You play golf. You understand the circumstances. Would you not accept the responsibility to do that?

Mr. Robertson: I would agree to do that, and again, each meeting we have, I would bring back information as we learn it because it is not my decision. I will only bring back the terms under which Mr. Maxwell will enter into an agreement and have the justification for these things to see if we like those numbers or don't like those numbers. And he has already stated he would much rather sell it to us. He has done that successfully with every other golf course he has owned when he has developed communities. He wants to work with us rather than go outside. So everybody has a pony in this game. It is not he wants it to come to us if we can come to a reasonable thing. He wants to negotiate a settlement if he can get that because he knows he is losing money. That is why he is saying often a golf course is worth \$100,000 a hole. We have thirty-six holes, so that is \$3.6 million. He is saying he will sell it for \$400,000. That is

acknowledgement that he is not making money and is a pretty good starting point of him saying come talk to me and we can come up with a solution that says he doesn't have to own it anymore and the community can embrace it and make it successful.

Mr. Deane: Like you said before, we need a lot more hard numbers. I think we should negotiate. That is my opinion.

Mr. Robertson: We will need a joint meeting or if we have separate Board meetings we can make a recommendation and if you want me, I will be willing to do it on your behalf and if my Board wants I can do it on my Board's behalf, but you have to decide.

Mr. Murphey: The first thing we have to do is get an appraisal of the golf course property rather than taking his numbers.

Mr. Robertson: We already have an appraisal that was done by a bank. That is already done. It is \$6.29 million from a bank in January 2016.

Mr. Murphey: They appraised the golf course?

Mr. Robertson: Yes.

Mr. Williams: Is there any prohibition for the CDD to accept a loan or financial contract with Maxwell to buy it? I know in order to get another bond issue, we would have to pay off the bond or get the bondholders approval, but would we also have to get the approval of the bondholders to take on that financial responsibility?

Mr. d'Adesky: If we are talking about entering into a private note, the city is authorized to engage in all forms of indebtedness that any other corporate entity could enter into in addition to issuing bonds. So we can have notes, we can have private mortgages, we can enter into other agreements. I think private financing here has been discussed, which may be a better rate than bonds, and CDDs are authorized to do that. Now granted this is an asset that is in both CDDs so once again we are talking about something that we are going to need to come to an agreement, alter the interlocal agreement, come up with some cost sharing and some delegation because once again it is in both CDDs. So that is just looking forward. And on a separate topic, we have worked with companies that specialize in analyzing golf courses because that is kind of a specialized asset so if you would like us to recommend to you we can.

Mr. Flint: The financing also depends on what the pledged repayment is going to be. You have trust indentures in both communities which preclude you from issuing additional debt, pledging the same, basically a lien of assessments against the homes within the community. So depending on what the pledged repayment of that private loan is, it could be precluded. When we get the details that will be part of the analysis.

Mr. Robertson: There is no reasonable way to pledge any asset but the golf course.

Mr. Flint: If it is a revenue of the golf course it is repaying the note on the golf course and you probably don't have a problem, but we would have bond counsel look at it just to make sure you didn't have an issue. I also want to mention, we manage three or four CDDs that own golf courses. I know more about golf courses than I really want to know, just like Jim, and we have also been involved with two CDDs that have acquired golf courses and we are working on an acquisition right now on another CDD. I know Andrew was also involved with one CDD that looked at acquiring one. I kind of see what you are doing right now as a preliminary due diligence process and depending on that, there is an entity called the National Golf Foundation, which is a consultant that has been really involved in just about every CDD acquisition of golf courses and they are somewhat seen as an independent entity that has good qualifications and is well-respected. So you might want to get to a point where we ask for a proposal from them, and that is a shared expense between both CDDs. They will come in and analyze all of the assets, they will look at the equipment, the condition of the course, the business side of it, and they will also come up with an opinion of value. There are a number of different tasks and you can pay for all of them, or for some, depending on what you want to do, but they are probably who we would recommend the most. Mr. Darrin Mossing has been involved in those other acquisitions and is heavily involved on the accounting for the Viera East CDD in Brevard County where that CDD owns a golf course. So we have a fair amount of experience on that to the extent that you all want that. I am going to volunteer Darrin to be happy to work with you guys even though he is my boss.

Mr. Costello: What is the success rate of the club owned communities that have bought golf courses?

Mr. Flint: Our general experience is that golf courses can be run to cover their operating expenses, but they typically can't cover their operating expenses and debt service. So it is usually going to be one or the other. We haven't seen an instance where it has covered the note and the operating. So in those couple instances, there has been an increase in the operations and maintenance assessments to cover the operating losses that are projected here on the spreadsheet, and you can probably figure they are annually going to lose anywhere between \$200,000 to \$300,000 a year for each golf course. And that is kind of what he is showing on here. He is not hiding that fact. Depending on how they are operated, they can break even operationally, but then you have your equipment and various other expenses to factor in.

Mr. Costello: You have larger liability and maintenance bills right down the line.

Mr. d'Adesky: In another community we've worked with, once they actually got that analysis from an expert who specializes in golf courses and looked at the capital outlay that would be required, that was so inefficient that they decided to not go through with the purchase.

Mr. Robertson: What was the alternative solution?

Mr. d'Adesky: To leave it under private ownership. It was an offer to sell it to the CDD or maybe someone else.

Mr. Flint: We are happy to help in that process if you want that.

Mr. Robertson: Yes, please. I wasn't going to do all this work myself because I don't have that expertise. I was planning to utilize GMS as our District Manager and as we get further in that process where we go ahead and talk to Mr. Maxwell and get some hard numbers or better numbers, from there we can hire a consultant to help us in the proper analysis of that. So that is what we have to decide. Should we proceed at all, take the first big step, or not?

Ms. Pontious: So we will move forward and that means we need another joint meeting to come up with the results and share that information?

Mr. Robertson: If we are authorizing this we would have to have motions. We need two motions then.

Mr. Deane: Can we make a single motion for the joint CDD meeting?

Mr. Flint: No.

Mr. d'Adesky: It should be two separate motions.

ON MOTION by Mr. Deane seconded by Ms. VanSickle with all in favor the Board designated the Chair, Carol Pontious as the Lake Ashton CDD liaison representative for preliminary due diligence to meet with the owner of the golf courses to get more information on potentially buying them.

ON MOTION by Mr. Mecsecs seconded by Mr. Murphey with all in favor the Board designated the Chair, Doug Robertson as the Lake Ashton II CDD liaison representative for preliminary due diligence to meet with the owner of the golf courses to get more information on potentially buying them.

SIXTH ORDER OF BUSINESS

Supervisors Requests and General Audience Comments

Ms. Pontious: Do we have any additional Supervisors requests for today?

Mr. Costello: Yes. I would like to request that all of the people who are here attend all of our meetings. It is good to see this many people here today.

Ms. Pontious: All right. Then we will finish with General Audience Comments.

Ms. Farland-Vogt: I am glad we are going to consider buying the golf course. I recently read two articles from the Washington Post and the Economist magazine and I think that we all know that golfing is on a decline. Both the Washington Post and the Economist had the same three points, that it is a combination that it takes too much time, it is too costly, and the golf courses over the last few years, they have been making them harder and more difficult. So I think you are not going to have to just be looking at the cost for us and the possibility that we won't be able to meet the costs, but you are also going to have to look at if you choose to go forward and buy the golf course, I hope you will possibly look into redesigning or coming up with strategies to make those of us who don't golf here make it more friendly for my age and gender. I am glad you are looking to doing this, though. I would also like to make a comment that for forty minutes you

had a discussion about it being seamless, but then I heard one of the members say, if I heard correctly and if I didn't please correct me, that you didn't want to pay for something if Lake Ashton II purchased something. When I bought in Lake Ashton, I didn't realize that I lived on the west side. I have a comment on the bowling alley. I am just saying if you chose to close it. I am willing to pay for it. If we buy the building over here, I am willing to pay for part of that cost. If we need a pool on the west side or if we need any other amenities on this side, I am willing to pay for the costs for one community. I am really sad that it is so broken up. Please think about that. We are one community.

Mr. Jack VanSickle: I am glad you are looking at numbers. Doug, you put together some good numbers from your RV lot. A little more info for you: there are 60 covered spaces, there are 50 uncovered spaces, and the current price as of February 1, 2018 with tax is \$197 a month for covered spaces. Look at the new costs. I will give it to my Supervisor so she will have it and maybe she can pass it on to you. That is a money maker. The golf courses are probably not so you may want to consider that also because you have revenue and there is a waiting list to get into a covered space and the empty or outside storage is starting to fill up. So that is a way to recoup some costs. There is very little maintenance on that building.

Ms. Janice Gordon: I have two things I would like to bring up. One, when you assessed the number of lots, did you include the ones that are unsold?

Mr. Robertson: Yes.

Ms. Gordon: Then how would you get the assessment from people who haven't even signed a contract or bought here yet? How would they pay?

Mr. Flint: The developer is paying for those right now.

Ms. Gordon: Okay. So he would pay those. Two, I am curious to know what the median age of golfers is. Does anybody have that statistic? Because if the median age is, let's say 75 or 70, and you take a ten year loan, that puts them in their eighties, so are the people who are now moving in of that median age, or are they younger, and are they golfers? Those are just questions I would like for you to consider before you enter into

an agreement not only to purchase the golf course, but to maintain it and also the salaries and benefits you were talking about that are going to be associated with this purchase.

Mr. Scali: I would like to propose that there be one financial budget you allocate the differences between the CDDs by the number of lots and there is no such thing as the east paying for the bowling alley versus the west paying for whatever pickleball courts they are proposing. One budget, divided by the number of lots and we don't have to go any further as far as consolidation. That methodology could work so I propose that.

Mr. Vogt: I want to thank the Boards for the meeting today. Good discussion on purchasing the amenities. I want to talk a little bit to both Boards about what has been happening here with some of the traffic control and stop signs. I am a retired civil engineer. I worked for the DOT for almost thirty years. I talked a little bit with Jim Mecsics about what could be done and I wanted to talk a little more on that. What we really need is a plan here, not just enforcement. It puts the hammer down now, but a month from now people are back to doing the same things they have always done. A good plan would be to do an evaluation. First, we need to decide when it is a problem, if we have a problem, and you do it ahead of time so you know what you are trying to fix. You can evaluate it later on after you do some fixing. You do some engineering, look at what you can change engineering wise, do some education, more education than just saying you have to stop at stop signs. Two Monday Morning Coffees ago, a police officer explained how they were enforcing the laws. You need to go beyond that and get the word out to a lot more people. And you also need to encourage a final evaluation before you do the enforcement. Enforcement should be the last thing when we want to target the specific violators. Ultimately I think we have a great and safe community. I don't think we have a big traffic problem, but I am willing to volunteer and help with any committee you want to put together and come up with some solutions if we need some.

Mr. Castelli: I would like to have both CDDs to have a survey to all of the residents and have their feedback, do you want to buy the golf course or do you not want to buy the golf course because I am not a golfer and I really don't care if we have a golf course, but there are golfers here, so others may want to buy the golf course. Leave me out of it.

I would like to say beware because any time Maxwell offers you something, you are going to get burned. We have been burned before. Thank you.

Ms. Angela Littlewood: The Board is going to have to bear with me because I am going to talk numbers and my husband will tell you I have to take my shoes and socks off to count to twenty. The retail sales center, \$2.1 million, is that based on the sales that they are getting from that now? Or is it the price of the building?

Mr. Deane: The price of the building.

Mr. Robertson: Yes. The price of the building based on the revenue and profit he is making from the operations. He sold seventy resales at the retail office. That is how he has priced that. He has a price per square foot of the building that he leases out and that is how he has come up with the sales price.

Ms. Littlewood: But we are not going to get that profit, are we? That profit will go away if we can't buy the Lake Ashton Realty, then we are not going to get any money from new sales. So what we are basically doing is buying the building and then we are going to be renting it out and get income for the rent.

Mr. Robertson: Exactly what you just said.

Mr. Flint: There are two different items. One is the building itself, which is the \$2.1 million. He has priced it at seventeen and a half dollars a square foot lease times \$9,750 at an 8% cap rate.

Ms. Littlewood: So we are going to get that price.

Mr. Flint: Yes. And the other one is the business, which we are not buying.

Ms. Littlewood: And what are the taxes on that building?

Mr. Flint: We don't pay taxes.

Ms. Littlewood: There is no state tax?

Mr. Deane: No. It is a CDD.

Ms. Littlewood: Okay. So the building is worth \$2.13 million?

Mr. Flint: That is what he is saying.

Mr. d'Adesky: Those are the numbers he is giving. And just as a reminder because I know for some people this is the first time, it is not really structured as a back-and-forth

question and answer session. Everybody has to kind of move through their allotted three minutes and not expect answers to each question.

Ms. Littlewood: Then I am glad you have answered my questions. Thank you.

Mr. Bob Zelazny: I have a couple comments. Doug, I think you have done a tremendous job bringing the numbers together to evaluate where we need to go. It is amazing to me that we have sat here for forty minutes and have talked about nuts and bolts on this and it took us that long to get to let's just move forward and evaluate. This is government at its worst, I am sorry. We have three things on the agenda today. One is the legal consolidation, one is shared District Manager, and alternate management approach. It went nowhere. Thirty minutes nowhere other than just discussing between yourselves, we do it this way, you do it that way. One of the subjects Stan brought up was the interlocal agreements to make sure we have amenities. Brenda says we don't really need them. I think we do. I was the one who went to our Board to ask for that. Right now there is one interlocal agreement that says you use the west facilities, we use the east facilities. I think there should be an interlocal agreement that says you have to maintain the facilities to a certain standard and keep them open because when I bought, I bought all of the facilities and amenities to include the bowling alley, to include the theater, etc. The interlocal agreement should have it so everyone has a say on what the outcome of those facilities are. To your point on the swimming pool that we should pay and if you build it there, when we did the Focus 2020, which was a community-wide survey, we received about 400 responses. The majority of the people that wanted another outdoor pool was from the east side. Unfortunately you don't have a lot of property unless you take something out of here and that would mean we would have to build it in the west side. A majority of the responses were from the east, saying they wanted another outdoor pool. I think what we were asking is for an interlocal agreement that says a new facility or amenity should be a shared cost between the two CDDs and an existing amenity should be the way it is in the interlocal agreement now. But the interlocal agreement needs to say that we on the west have a say towards something on the east and vice versa so you don't close facilities on the east or vice versa. Anyway, I hope we

agree that we are going to move forward and figure out what we are going to move forward with. This isn't a crisis. I will tell you, whether or not you are a golfer, if you bought your home for \$350,000, when that golf course goes away, your house will be worth \$250,000. For argument's sake it might not be that amount, but if the golf course goes away, your property values are going to go down significantly. That will be true whether you are a golfer or not.

Mr. Tom Smith: You know, recently in the news I have been hearing a lot about trust, but verify. Now I remember the negotiations we just did with the same party who gave us three lots that were overpriced and they weren't the original lots that we wanted and it was basically said well if you don't agree to this, sue me. That is what I was told by the Board. This is the way this guy negotiates. So I don't know if the Board, and I am sorry to even say this, is capable of negotiating with this guy. I think that if we are going to do the golf course, which is a make-it-or-break-it for this community, we need some professionals in here that are going to really negotiate. I don't think if he wants to open it up as a public golf course, I don't think these golf courses, with all of the golf courses in the area that somebody is going to buy it for it awhile. So I think we should look at some alternatives, but we should really get somebody in here that can really negotiate because what is he going to do with these buildings if we don't buy them? Who is going to come in and buy them right away? So my thought is just don't rush into this because I don't believe he is holding all of the cards at this time. Like I said before, verify everything because I don't trust him.

Ms. Victoria Howell: One thing I do want to bring up as the gentleman before said about the storage, the RV storage unit, yes, he wants \$2 million for that. Come on. It is 60 covered and a small area for outside. I have had my RV in there and I know years ago it started at \$50. Now he just raised it with no clause whatsoever proves to you that he is making money. He raised the price and now if you want to pay monthly it is \$200 a month for under cover. I don't think we need to ruin everybody's little bit of enjoyment if you want to park your boat or an extra vehicle, why are we being punished? That is what I feel like that we are being punished. He wants to prove to people that he can make

more income. He just raised that. I personally called Jim Lee and asked for a price because I am thinking the people who have RVs would want to buy that, but he never even called me back to give me a price. The \$2 million, he can keep it. I will take my RV out and go somewhere else. It is very convenient and we would really like to keep it here, but if you are going to do that, it is too expensive. He is not giving you anything.

Mr. Frederick Sutherland: My opinion is that we'd have to search long and hard to find somebody more qualified than Doug Robertson to negotiate this deal.

Mr. Fred Poole: One of my observations is that you all are saying me more than we. If you want to have a unified community, you have got to talk as if you are unified. You have got to approach everything as if you are unified. I heard too many people up here saying we do it this way or we do it that way. It is how the community does it. I encourage you to think about the community rather than your own position, power, and Boards. Thank you.

SEVENTH ORDER OF BUSINESS Adjournment

Ms. Pontious: All right. Seeing no additional speakers, I think we are ready to adjourn for today and we thank you for attending.

Mr. Costello: Before we adjourn, can we have both sides in agreement that we will have another meeting like this in April or May?

Mr. Robertson: May.

Mr. Flint: They have a meeting scheduled in May.

Mr. Costello: It is already set? Great.

Mr. Flint: Well their next meeting is scheduled in May so you could do a joint meeting again like this in between both of yours.

Mr. Robertson: And if we get data sooner, we can have another Board meeting.

Mr. Costello: Okay. Thanks.

Ms. Pontious: Are we ready to adjourn then? Thank you to everyone for attending and giving your input.

ON MOTION by Mr. Costello seconded by Mr. Mecsics with all in favor the meeting was adjourned.


Secretary / Assistant Secretary


Chairman / Vice Chairman