FISHKIND & ASSOCIATES
ECONOMIC CONSULTANTS

MEMORANDUM

TO: Supervisors of the University Park Recreation District

FROM: Hank Fishkind, Ph.D., President Henry H. Fishkind, Ph.D. Digitally signed by Henry H. Fishkind, Ph.D. Date: 2019.01.03 14:37:54 -05'00'

SUBJECT: Response to Email from Ms. Lordi
"The RD Board is Hard at Work Wasting Our Money!"

DATE: January 3, 2019

VIA: Email only and Posted to UPRD Website

1.0 The email from Ms. Lordi is included in Attachment #1 for reference.

2.0 The email consists of nothing more than unwarranted accusations, misstatements, half-truths and personal attacks on me and the Board. I will not dignify the personal attacks with a reply, except to point out that whenever an opponent in a debate resorts to personal attacks it reflects the bankruptcy of their intellectual argument.

3.0 The statement that the UPRD Board is wasting money is clearly contradicted by the public record. The Board has acted as community fiduciaries and conducted detailed scrutiny over all its expenses, including the budget and all fees related to the proposed financing. In fact, the Board imposed strict limits on the cost of issuance and the financial advisory fee at the December 14, 2018 meeting.

4.0 The public record, and documentary support for the Board's decision on short term financing through a line of credit with Florida Community Bank, was properly noticed, fully and openly discussed by the Board, and duly approved as being in the best interest of the community for the following reasons.

A. Having the financing in hand puts the Board in a strong bargaining position with the seller concerning the purchase agreement.
B. Allows for a closing sooner in time than waiting for bond validation to be completed. This advantages the UPRD by maximizing cash flow since the operating revenues of the Country Club are highly seasonal.
C. As described more fully below, the extra cost of two transactions is more than offset by the savings in principal and interest costs compared to issuing bonds alone to complete the transaction.

5.0 Analysis of the Costs Associated with the two financing structures: (a) Short Term Loan and then Bonds Compared to (b) Bonds Only

As demonstrated in the memo provided to the Board on December 10, 2018 which is included as Attachment #2, there is no additional cost to the District from funding the acquisition of the Country Club using a short-term bank loan and then repaying the loan from a future bond issue, compared to waiting and issuing bonds. As the arithmetic clearly shows in Attachment #2, the extra cost of issuance associated with the loan and then bond option is more than offset by the interest savings available from the short-term loan. The reason is that the bank loan is an interest only obligation with interest paid only on the amount actually borrowed. By contrast, a bond issue requires borrowing all the funds up front, at once, even though all the funds will not be used immediately thereby incurring higher costs for principal and interest.

Ms. Lordi's email ignores the savings from utilizing the short-term bank loan and only focuses on the cost side of the ledger. Clearly, this is incorrect.

6.0 The Focus on Fees and Costs

Ms. Lordi's email focuses only on costs and fees ignoring two important facts. First, as demonstrated above, there is no additional cost to the District from using the bank line and then bond issuance option. Furthermore, this is assured based on the District's limit of $300,000 for cost of issuance expenses.

Second, the District management fee is separate from the financial advisory fee. These fees are competitively priced and easily verifiable as competitive. In addition, the Board negotiated the financial advisory fee in public, reduced the proposed fee, and structured it into a two-phase payment plan.

7.0 Information to Support the Bond Referendum

The Board has identified the information to be made available to the community to inform their decision on the bond referendum. Staff has assembled the information as it has become available. Two important components of that information are the purchase contract and the management agreement. The Board is scheduled to discuss these at its meeting tomorrow. This will provide sufficient time to make the complete information package available in support of the referendum. In addition, the Board will schedule a workshop on the referendum, which is expected to be on January 22, 2019.

Attachment #1

From: Suzan Lordi <smltal@yahoo.com>
Sent: Tuesday, January 1, 2019 7:27 PM
To: Suzan Lordi <smltal@yahoo.com>
Subject: The RD Board is Hard at Work Wasting Our Money!

At its 14 December meeting the RD Board authorized short-term financing for the acquisition of the UPCC without notice, explanation, or justification.
Apparently unwilling to wait until mid-2019 for funding from the anticipated bond issue to become available (if we approve the bonds in the January referendum), the Board intends to proceed with a $24 million line-of-credit at 4.5% interest.
The costs associated with this line-of-credit will be at least $300,000, including a 0.5% ($120,000) “financial advisory fee” payable to Dr. Fishkind. Our question about the appropriateness of this payment to an individual already having two compensation agreements with the RD was ignored. The 2019 budget already includes $207,500 for Fishkind's services as District Manager and District Accounting/Comptroller.
These closing costs for the line-of-credit will, of course, be in addition to the all the expenses associated with the proposed bond issue, and are payable by us whether or not we vote to approve the Bond issue.
This episode is just the latest illustration of the high-handed manner in which the RD Board is conducting itself, and its cavalier attitude toward spending our money:
The resolution to establish this line-of-credit first appeared on the evening of 13 December, buried on page 56 of a 94-page agenda materials document, for the 14 December meeting. There was no prior public discussion of short-term acquisition funding, and the Board ignored a question as to when and how Fishkind allegedly was instructed to solicit bank proposals.
Additional questions about this short-term acquisition funding went unanswered; and, the Board failed to articulate a justification for incurring significant closing costs to expedite the UPCC purchase.
At the 14 December Board meeting Fishkind stated that he spent 100 hours on the line-of-credit matter. The RD’s Financial Advisory Agreement with Fishkind calls for hourly compensation of $450 to avoid potential conflicts of interest that could arise under other compensation methods. This would amount to $45,000 for Fishkind’s efforts, assuming he actually spent the equivalent of 12½ full eight hour workdays to produce a single bank proposal from the same bank (FCB) he has worked with previously in similar circumstances.
In any event, the Board failed to explain why it ignored the hourly fee provision in the Financial Advisory Agreement, and instead agreed to a $120,000 payment to Fishkind based on a percentage of the proposed short-term acquisition funding.
Unfortunately, this mode of operating has become routine. There is a public comment period at the start of RD Board meetings, but what’s the point if the Board doesn’t address the questions?
Furthermore, the Board appears clueless about handling its responsibilities as a governmental entity. Incapable of conducting its own meetings, the Board passes the bulk of that responsibility to Fishkind, seemingly the only one “controlling our destiny.”
The Board apparently intends to proceed with the bond referendum on January 22nd, notwithstanding the fact that neither the purchase agreement nor any of the other long-promised information necessary for informed decision-making has been made available to the entire UP community. The Board seems determined to limit our ability to analyze this

material. Why else has it not yet distributed the Snell Building Assessment Report, a document dated December 2017?

The next RD Board meeting is scheduled for 1:00 PM, January 4, at the Lakeside Room. If you disapprove of the way things are going, now is the time to show up and voice your concerns

The RD is like a speeding freight train heading for a rickety bridge. There is only one way to bring it to at least a temporary halt and prevent disaster: Vote "NO" on the bond issue. Not voting in the referendum amounts to a "YES" vote. If you oppose the bond issue you must actually vote against it.

Attachment #2

FISHKIND & ASSOCIATES
ECONOMIC CONSULTANTS

MEMORANDUM

TO: Supervisors of University Park Recreation District, Mark Barnebey, District Counsel, and Carol Harris, Assistant District Manager

FROM: Hank Fishkind, Ph.D., District Manager Henry H. Fishkind, Ph.D. Digitally signed by Henry H. Fishkind, Ph.D. Date: 2018.12.09 20:34:10 -05'00'

SUBJECT: University Park Recreation District – Analysis of Financing Options

DATE: December 9, 2018

1.0 Background

The Board instructed me to solicit proposals to provide short term financing (term of no longer than two-years) to fund: (a) operating expenses for this fiscal year and (b) acquisition funding. RFPs were sent to: Florida Community Bank, UMB, First Florida Integrity Bank, AMERIS Bank, Center State Bank, Hancock Whitney, Wells Fargo, JP Morgan, Citi Bank, and Regions Bank. Only FCB provided a term sheet which is attached.

2.0 FCB Term Sheet Summary

FCB has offered two lines of credit as requested, one for the operating line and the other for the acquisition. The term is two-years, and the rate is 4.5%. The line is interest only charged against the amount borrowed. The line can be paid down without penalty at any time.

3.0 Pricing of the Line

The 4.5% rate is identical to the rate FCB has provided on two recent transactions: (1) Boggy Creek Community Development District on 7-13-18 and (2) Greeneway Community Development District on 11-28-18. Financial market conditions are comparable to the prior transactions based on: (a) the 10-year Treasury Bond and (b) Bond Buyer Index.

Additional perspective is provided from the pricing for Lakewood Ranch Stewardship District's Series 2018 Lakewood Centre & NW which had an average coupon of 5.6%, and its Series 2018 NE Sector Phase 1B with an average coupon of 5.36%. These bonds closed on December 7, 2018

Therefore, the pricing of the FCB line is fair in my opinion.

4.0 Analysis of the Financing Needs

The District has two financing needs: (1) short term operating and (2) acquisition funding. The District has the authority to issue debt with a term not exceeding two years. However, the District cannot issue long-term debt without: (a) authority granted through a referendum and (b) validating the bonds pursuant to Chapter 170, F.S. The District is scheduling a referendum on the acquisition and the authority to issue long-term bonds to fund the acquisition in January. If the referendum is successful, and the Board approves the purchase contract and associated documents, then the District could issue bonds to fund the acquisition.

The validation process involves bringing suit in circuit court. It will take about 180-days to schedule the court hearing. Thereafter, there is a 30-day appeal period. If there is no appeal, and the referendum is successful, and the Board decides to complete the acquisition; the earliest that bonds could be sold and the acquisition completed would be July 2019.

(1) Short Term Operating Needs

Without the ability to receive income from the club operations unless and until the club is acquired, or to receive assessment revenues for operations and maintenance (which is not expected to be needed if the club is acquired), the District has no operating funds. This situation needs to be addressed promptly.

(2) Acquisition funding

The District is considering the acquisition of the club, recreational facilities, and lands for an estimated price of $16,750,000. This can be accomplished by issuing short-term debt or long-term bonds.

5.0 Analysis of Funding Options

The Board has two options for its financing: (1) Accept the FCB Line and then issue bonds within two-years or (2) reject the FCB Line, file for validation, and issue bonds in July 2019 and forgo funding for short term needs. As demonstrated below, the District is better off to accept the FCB term sheet rather than wait to issue bonds. Even if the District could issue bonds now, which it cannot do, there is a modest cost savings from using the FCB line and then issuing bonds in the future to repay the line. This option allows the District to consummate the transaction at least six-months sooner and provides flexibility in issuing its long-term bonds.

As shown below, using the FCB Line and then issuing bonds in February of 2020 requires a total bond issue then of $23,270,000 compared to the expected bond sizing of $23,410,000 projected for a bond issue in July 2019. The FCB/Bond option outperforms the alternative of bonds only issued in 2019 option because: using the line saves interest expenses since costs are based on the amount borrowed. The savings are large enough to offset the cost of accepting the line and then issuing bonds (two issuance costs) compared to one issuance cost for the bonds if issued in 2019.

In the example below, the acquisition occurs in February 2019. Additional draws are assumed to fund renovation expenses. By April 2020 the District would receive its first increment of debt service assessments reducing the line. Bonds are issued in February 2021 paying off the line. The take-out bonds are sized at $23,270,000.

Category	Amount		Notes	
Facility Amount	$24,000,000		DSR %	8.0%
Rate on Facility	4.5%			
Bank Facility Fee @ 0.5%	$120,000			
Placement Fee @ 0.75%	$180,000			
Cost of Issuance	$124,850			
	========			
Total Closing Cost	$424,850			
Construction Draw Total	$20,162,568			
Date	Balance	Draw	Interest	Reserve
Dec-18	$0	$424,850	$0	$36,943
Jan-19	$461,793	$0	$0	$0
Feb-19	$461,793	$16,750,000	$64,544	$1,462,134
Mar-19	$18,738,472	$0	$70,269	$6,110
Apr-19	$18,814,852	$0	$70,556	$6,135
May-19	$18,891,543	$0	$70,843	$6,160
Jun-19	$18,968,546	$250,000	$72,070	$28,006
Jul-19	$19,318,622	$0	$72,445	$6,300
Aug-19	$19,397,366	$0	$72,740	$6,325
Sep-19	$19,476,431	$0	$73,037	$6,351
Oct-19	$19,555,819	$0	$73,334	$6,377
Nov-19	$19,635,530	$0	$73,633	$6,403
Dec-19	$19,715,566	$0	$73,933	$6,429
Jan-20	$19,795,929	$2,000,000	$81,735	$181,020
Feb-20	$22,058,684	$0	$82,720	$7,193
Mar-20	$22,148,597	$0	$83,057	$7,222
Apr-20	$22,238,877	-$1,341,432	$78,365	-$109,832

May-20	$20,865,978	$0	$78,247	$6,804
Jun-20	$20,951,030	$0	$78,566	$6,832
Jul-20	$21,036,428	$0	$78,887	$6,860
Aug-20	$21,122,174	$0	$79,208	$6,888
Sep-20	$21,208,270	$0	$79,531	$6,916
Oct-20	$21,294,717	$0	$79,855	$6,944
Nov-20	$21,381,516	$0	$80,181	$6,972
Dec-20	$21,468,669	$0	$80,508	$7,001
Jan-21	$21,556,177	$2,000,000	$88,336	$181,594
Feb-21	$23,826,107	$78,150	$89,641	$14,591
		========	========	========
Total		$20,161,568	$1,926,242	$1,920,679

Bond take out

Category	Amount
Payoff Balance	$24,008,489
Debt Service Reserve from Note	-$1,926,242
Debt Service Reserve	$672,853
Capitalized Interest	$0
Cost of Issuance	$51,500
Underwriter's Discount	$465,400
Rounding	-$2,000
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Bond Total	$23,270,000
Rate	4.00%
Term	30

6.0 Based on this analysis, it is my recommendation that the Board approved the FCB term sheet. This option provides short-term operating funding for the District and cost-effective acquisition financing should the District decide to proceed with the acquisition.