

## MINUTES

### LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

February 17, 2011

The Leon County Educational Facilities Authority met Thursday, February 17, 2011 at 11:30 AM in the SouthGate Campus Centre ballroom, Tallahassee, Fl pursuant to public notice.

Authority Members Present: Bob Kellam, Billy Hilaman, Joe Weil, Randy Guemple, Craig Fletcher and Liz Maryanski.

Authority Members Absent: Henry Lewis

Others in Attendance: Calvin Ogburn; Terry Madigan; Bob Powell and Trish Raub, James Moore and Co; Heritage Grove Managers Ray Allen and Tom Kadel; Randall Husmann and Ken Mills, Asset Campus Housing; and, Financial Advisor Bill Reagan...

The meeting was called to order at 12:35 p.m. by Chairman Kellam who called on Randy Guemple and Bill Reagan to present the SouthGate Residence Hall Report prepared by Mr. Reagan. (A copy of this report is in the EFA file.) The goal of this report was to examine and review SouthGate's operating history, to compare it with the property indebtedness and to recommend steps going forward from this point in time. Bill Reagan went into detail discussing the financial history of SouthGate up to the current time. Bill Reagan reported a major consideration would be to refinance the indebtedness and in so doing develop an operating cushion for future capital expenditures. He stressed that he has not had any conversation with any of the current "B" bondholders although he has had a preliminary talk with the current "A" bondholders. Reagan also expressed concern that the current capital expenditures budget is not sufficient to maintain the property at a level where it will compete with other premier properties in the area. The authority members talked about various scenarios as to the future of the student housing market in Tallahassee.

At the conclusion of this discussion, it was agreed that Bill Reagan is to continue discussion with the "A" Representative and to commence discussion with the "B" bondholders at the proper time. He is to emphasize to the bond holders the urgency of funding and maintaining a higher level of reserve and replacement funds than currently exist. A motion was made by Randy Guemple that this course of action be followed, seconded by Billy Hilaman. Bill Reagan suggested that perhaps another goal would be to create another indenture which would create additional bonds called 'parity bonds' which would help fund the property for capital improvements and to which debt would be superior to the "B" bond holders. Bill Reagan also circulated a municipal market update for the EFA dated February 16, 2011 (copy on file). All were in favor of the motion.

Authority member Joe Weil then presented an overhead slide presentation on how to understand and analyze the EFA financial statements. (A copy is on file.) His presentation included how to read basic financial statements, how to interpret an

independent auditor's report and how to review assets and liabilities as shown on financial statements. He then reviewed the LCEFA balance sheet as of September 30, 2011, pointing out specific areas of interest. He also discussed the cash flow statement of SouthGate.

Craig Fletcher discussed with the authority members the letter that he received from BCC member Jane Sauls referencing the County's refusal to include the EFA under the County's policy for D&O insurance. Chairman Kellam reported that he plans to include this topic in his annual report to the county which will be delivered at the end of this month.

(12:50 p.m. Craig Fletcher left the meeting.)

Auditor Bob Powell then discussed the audit and complimented Joel Weil on his presentation. He, too, expressed concern that the reserve level is not at the level it should be and which is required by the bond documents. His firm has issued an unqualified audit opinion for the period Oct '09 through Sep 30 '10. He commended the audit committee for their diligent work on this audit. There was a motion made by Randy Guemple, seconded by Joe Weil, that the audit for the FY ending 9-30-10 be approved. All were in favor.

(2:00 p.m. Liz Maryanski left the meeting.)

Asset Campus Housing's Randall Husmann briefly reported on the website packaging program, a copy is on file. In response to a question he said that approximately 40% of the leases for the current season were received from the website. He then circulated a memo showing SouthGate's Cash flow projection for the balance of the 2010-11 school year. (A copy is in the file.) His recommendations are as follows:

1. With the "A" bondholder approval, the property should not fund any contributions to the reserve during the 2011-12 school year to allow it to "catch its fiscal breath." Depending on amount of increased revenue and limiting the amount of capital expenditures, the property could be able to finish the 2011-12 school year without using any of the advance payments for the 2012-13 school year (e.g. building a large enough reserve during the regular school year to cover the summer months.)
2. Capital expenditures will need to be kept as low as possible to help with the above as well as allow the property to start adding to and maintaining a balance in the Repair and Replacement Reserve.

The Heritage Grove property was reported upon by Ray Allen and Billy Hilaman. It was reported that the property is currently 99% leased with a delinquency rate of less than 1%. The property is 44% pre leased for the fall of 2011, which is double where it was at this time a year ago. The lease rates will be \$499 per bedroom which is an increase of 4%.

A Heritage Grove status report was circulated and is on file.

In response to questions, there have been two inquiries for the long term lease for the ATO lot. Half of the Lambda Chi house has now been released to another group

since the Lambda Chi chapter will be inactive for approximately 3 years. The issue of concern at this point is that there is no CAM fee being paid on the ATO lot. Ray Allen

reported that he has received three bids for new furniture which will be paid from the Capital Reserve fund at a cost of approximately \$99,000.

Directors and Officers insurance was discussed again. The Executive Director reported that several proposals had been received, however, the exclusions listed and the premiums charged did not appear to be reasonable. Terry Madigan was instructed to contact Innovation Park for information on their D&O Insurance. Chairman Kellam stated again that he will raise this issue again with the Lean County BOCC. After discussion a motion was made by Billy Hilaman, seconded by Randy Guemple that should a reasonable proposal be made to the authority, the Executive Committee is authorized to purchase that policy. All were in favor.

Terry Madigan gave a brief report on the progress on amending the by-laws which will allow the authority to have a Chairman Emeritus and a Chairman Elect. After limited discussion, it was agreed that the by-law revision would be formally introduced today and voted upon at the next quarterly meeting on April 14. This motion was made by Billy Hilaman and seconded by Randy Guemple and all were in favor.

Terry Madigan then further pointed out that the current by-laws require that all meetings be "advertised". This requirement is not reflected in the Florida Statutes. He further said that the authority follows the county's procedure for public notice of meetings. A motion was made by Billy Hilaman, seconded by Randy Guemple that the authority utilize the notice requirements as established by Leon County. All were in favor.

Chairman Kellam briefly reported that he anticipates delivering the annual report of the authority to the county by March 1.

The minutes of October 14, 2011 were approved with a motion by Billy Hilaman, seconded by Randy Guemple. All were in favor.

Chairman Kellam expressed his concerns which need to be addressed in the FSUPD/EFA contract. Ray Allen said that due to recent events, there is much better dialogue between FSUPD and the authority.

There being no further business the meeting was adjourned at 3:02 p.m. by Chairman Kellam.

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Robert E. Kellam, Chairman

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Calvin P. Ogburn, Executive Director