

Leon County Educational Facilities Authority

July 16, 2015 Meeting

Heritage Grove Clubhouse

Authority members in attendance: Chairman, Billy Hilaman, Lori Billberry, Dennis Bailey and Gary Huff. Also in attendance was Mary Ann Lindley, BOCC Liaison, prospective Board Member Rick Givens, Joe Weil, Acting Executive Director, Terry Madigan, Counsel to the Authority, Randall Husmann, Ken Mills, Mike Defutis, and Kyle Nail of Asset Campus Housing, and Ray Allen of Coastal Properties.

The meeting commenced at 12:00 PM.

Chairman Hilaman introduced new Board Member Gary Huff and prospective Board Member Rick Givens. Chairman Hilaman recommended Board approval of Joe Weil as the new LCEFA Executive Director and made a motion to that effect. The Board voted unanimous approval.

The Board unanimously voted to approve the minutes of the April 16, 2015 Board meeting.

Ken Mills, Southgate (SG) General Manager, reported that Southgate is 100% full for the coming school term with over 100 people on a waiting list. Ken announced he was retiring within the next month after serving Southgate for over 16 years.

Randall presented the Southgate FY 15-16 budget. The budget featured \$6.159 million in total revenue and operating income of \$1.2 million. Randall stated that the budget included adequate funding for repairs and maintenance related to: (1) elevators, (2) kitchen work, (3) boilers and other necessary items. Randall indicated that the final budget to be submitted to the Executive Director would have minor adjustments. The Board unanimously approved the budget with the minor adjustments to be made.

Terry discussed the potential sale of SG. He stated that the B-bondholders had to sign off before the property could be listed. Terry reported that he was close to finalizing the arrangements that Randy Guemple had initiated and would coordinate the sign off agreements with the B-bondholders.

Ray discussed the property repairs needed at Heritage Grove and discussed an expense estimate in between \$3 and \$6 million. These repairs and cost projections were as estimated in the pending lawsuit. Ray discussed how his team was able to keep tenants from leaving but had granted rent concessions due to the needed repairs.

Ray presented the Heritage Grove FY 15-16 budget. The Heritage Grove Budget featured \$2.625 million in revenue – 1.9 % more than the prior year. The budget featured total operating expenses 1.1% less than the prior year for an operating income (before debt service

and capital expenditures) of \$1.052 million. Capital expenditures for FY 15-16 were projected to be \$586,000 – almost double the prior year amount.

Ray stated that Heritage Grove was not expected to meet the 1.2 to 1.0 debt coverage ratio again this year and that this metric might even fall slightly below 1.0. Ray stated that the Heritage Grove Budget had no allowance for ongoing legal fees related to the needed property repairs that are addressed in the ongoing lawsuit. The Board tentatively approved the budget with the understanding that it might be subject to near term revisions with respect to the ongoing litigation expenses.

Joe Weil presented the financial statements as of June 30 for the Administrative Fund and the Fiscal Year 15-16 Administrative Fund Budget. Joe pointed out that the Administrative Fund had \$82,452 in cash but \$45,858 in HG legal related payables for a net cash position of \$36,598 on June 30. As of July 31, the Administrative Fund had a cash balance of \$72,554 and \$ 62,391 in HG legal related payables for a net cash position of \$10,163 on July 31.

Joe related that all Administrative Fund revenues were related to bond proceeds/servicing for Southgate. Heritage Grove could no longer pay such fees to the Administrative Fund. The Administrative Fund's Southgate Revenues are roughly \$142,000 per year and this is the extent of the Administrative Fund's annual revenues.

For the nine months ended June 30, the Administrative Fund had paid for \$237,512 of HG expenses. For the nine months ended June 30, expenses for the Administrative Fund exceed revenues by \$244,291. For the 20 months ended June 30, The Admin. Fund paid \$503,143 of HG related expenses which included significant fees for lawyers and expert witnesses.

Joe presented a budget that balanced revenues to expenses for FY 15-16 and greatly reduced spending for HG legal and other related expenditures, subject to upward revisions of these expenses in the HG budget. Joe also presented cash flow projections showing the Administrative Fund rapidly depleting its cash if HG related expenses are covered by the Administrative Fund at the same pace as the past 20 months. The Board tentatively approved the budget.

The next regularly scheduled Board Meeting is October 15, 2015.

The meeting was adjourned at 1:35 PM.

Billy Hilaman, Chairman

Joe Weil, Executive Director