

Interest rates on CDD funds

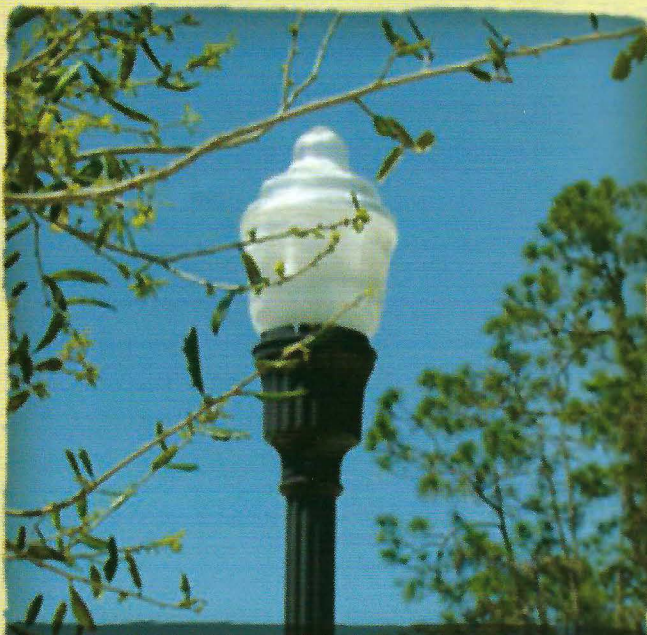
By: Bill Parsons
Vice Chairman Seven Oaks CDD

At the May 13, 2009 CDD meeting, I volunteered to look into the interest rates that the CDD money was earning. I suspected that it may not be earning as much as it could, but I was shocked to find that millions of dollars was earning only .15105% at US Bank First American Money Market Fund and the rate was decreasing (.000064% in March 2010). Since May, I have continuously worked with Rizzetta and Company, our District Manager, to move the funds into banks paying higher interest rates.

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CDD funds are being moved to banks such as the SunTrust Bank to obtain higher interest rates and to have them insured under FDIC and/or protected under Florida's Qualified Public Depository Program.



The street lights at Seven Oaks help make it a premier community, but they are not cheap. The leased cost of street lights is the second largest expense for the CDD with landscaping being the largest

Street lights cost reduced

By: Bill Parsons
Vice Chairman Seven Oaks CDD

One of the things that surprised me when I became a CDD Board member was the dollar amount we were paying to lease all the residential street lights at Seven Oaks. After research, I found that we were paying \$24.95 per month for 761 street lights which is \$18,986 per month or \$227,843 per year.

My first thought was to ask if the street lights could be purchased. On September 2, I met with Joe Marina, Withlacoochee District Manager. He explained that we would have to reimburse them for the engineering and installation and install all new wiring and poles. Since purchasing was not a feasible option, I decided to focus on insuring that we are paying for the correct number of lights.

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Prior to the CDD meeting on June 10, I gathered information from Rizzetta and Company on the various CDD funds. The CDD money is in the following four funds:

1. General Fund - Reserve: Reserve funds to pay major repair cost of roads, clubhouse, ponds, trail, etc.
2. General Fund - Operating: Pays for landscaping/irrigation contracts, clubhouse salaries, Rizzetta, etc.
3. Debt Services Account Revenue Fund: Used to make payments on 2001A, 2003A, and 2004A Series bonds.
4. Debt Services Account Reserve Fund: Held by Trustee in case CDD defaults on May/November bond payments.

At the June 10 meeting, I informed the Board that the money was divided into four funds and local banks interest rates were 10-15 times higher than currently being earned. The Board asked for specific recommendations for the July 15 meeting which I gave and they approved. Since then, the following has been accomplished:

General Fund - Reserve

Since this fund had \$441,661 with an additional \$217,000 being added during the next fiscal year (October 1, 2009 – September 30, 2010), I focused in July 2009 on investing these funds first. When I started working with Rizzetta and Company in July to move the funds, we were delayed because I found that the Reserve dollars needed to be allocated for CDD I and II. In addition, the shared cost dollars needed to be transferred from CDD II to CDD I. At the August 12 CDD meeting, the Board approved moving \$212,340 from CDD II to CDD I. When Rizzetta and Company informed me on August 5 that Qualified Public Depositories (QPD) should be the only institutions considered, there was a second delay because I had to redo the research as all banks are not QPDs. I found that First National Bank of Pasco was the QPD paying the highest rate at 1.26% on money market and 2.27% on a 13-month CDD. In September, Rizzetta and Company moved \$300,000 into four \$75,000 13-month CDs at this bank and \$341,000 into the bank's money market account.

General Fund - Operating

By July, most of the money in this fund had been used to pay the operating expenses for the fiscal year. The money for the next fiscal year did not start becoming available until December 2009 as residents began paying their property taxes which included the CDD fee. Based on money becoming available by the end of January, Rizzetta and Company recommended, and I approved moving the following funds to First National Bank of Pasco: \$935,328 money market, \$96,419 3-month CD earning .75%, and \$325,000 6-month CD earning 1.25%. In March, an additional \$62,000 was moved into the bank's 3-month CD.

Debt Services Account Revenue Fund

By July 2009, funds had been used to pay the May bond payment and the remainder would be used to pay the November bond payment limiting investment options until the next fiscal year. In January, Rizzetta and Company recommended, and I concurred to move \$483,625 (2001A Bond), \$307,400 (2003A Bond), and \$424,895 (2004A Bond) to 3-month CDs at First National Bank of Pasco earning .75% as well as \$188,508 (2001A Bond) and \$44,358 (2003A Bond) to 6-month CDs earning 1.25%. When Rizzetta and Company authorized the money to be moved, they were informed by the Trustee that the First National Bank of Pasco did not meet the Trust Indenture criteria of being in the two highest categories of Moody and S&P. So, Rizzetta and Company recommended moving the money to a SunTrust money market account paying 1.01%. I concurred. When they authorized the money to be moved, the Trustee stated the funds could not be put in money market accounts in other banks. In February, Rizzetta and Company recommended putting the funds in SunTrust 3-month CDs earning .2% and 6-month CDs earning .4%. In March, they recommended adding \$27,756 (2001A Bond), \$9,036 (2003A Bond), and \$10,913 (2004A Bond) to the 6-month CDs.

Debt Services Account Reserve Fund

In July, I recommended dividing Reserve Fund (i.e. \$1,945,363) evenly between a money market, 1-year CD, 2-year CD, 3-year CD, 4-year CD, and 5-year CD. Rizzetta and Company's Controller agreed this was reasonable. On July 28, the Controller stated that the Trustee had advised him that the Trust Indenture limits investments to 270 days. At the August 13 CDD meeting, Rizzetta and Company agreed, at no cost, to identify the bondholders and find out if they would agree to an amendment to the Trust Indenture. From August – November 2009, Rizzetta and Company was able to identify the majority of the CDD II Bondholders but could only identify 47% of the CDD I Bondholders. Since the majority of the CDD II Bondholders verbally agreed to an amendment, the CDD II Board approved at the December 9 meeting to spend up to \$5,000 for bond counsel to amend the Trust Indenture. At the February 10 meeting, the Board approved an amendment. Execution of the amendment by the bondholders is being coordinated by Rizzetta and Company and they are seeking to identify the CDD I bondholders.

>> STREET LIGHTS Continued from page 1*Inventory saved CDD funds*

The Residents Council counted the Seven Oaks' street lights and provided the count to Withlacoochee who also decided to count the street lights. Withlacoochee found that the CDD was paying for the wrong number of street lights in five neighborhoods and on five streets (e.g. Ancient Oaks Blvd) outside the neighborhoods. This will reduce the number of lights on the bill. Each street light removed from the bill will save \$299.40 (\$24.95 x 12) per year. Withlacoochee also found that some street lights were being billed to the wrong accounts. Thank you Residents Council Members !!!