

Bond Referendum and Recreation District's Master Plan Projects

The Board of Supervisors has determined a way to complete the necessary renovations, acquisitions, repairs and improvements to the Herons Glen Recreation District by refinancing the Bond with a **very small annual increase to our residents**.

The build out of Phase I, Herons Glen Golf and Country Club, is nearing completion of our 1300 homes. Our enormous growth since 2001 has eclipsed all expectations and created additional needs and requirements within our community. The *Recreation District's Master Plan Projects* was researched and developed by the Board of Supervisors with resident input, resident committee input and involvement, along with engaged professional expert consultants, have identified present problems, current and future needs/requirements, as well as future space requirements.

The renovations and improvements are necessary to preserve and protect our valuable assets and fulfill the Board's fiduciary responsibilities in a financially responsible manner as elected officials. The District's Board of Supervisors has the responsibility to operate and maintain the recreation facilities within the District, to insure the proper operation and protect our assets. We must address several critical issues which have been identified in the Master Plan as well as a recent development involving the CLIS Irrigation System.

There are several questions related to the *Recreation District's Master Plan Projects* we need to communicate at this time as well as how we can pay for these projects:

The Bond status: Each residential lot has the financial obligation of the Special Assessment Bond, Series 1999 which we pay each year. There is a provision allowed by Florida Statutes to refinance the Bond once during the lifetime of the Bond. The Board of Supervisors along with several residents, committee representatives, and Recreation District Management has interviewed three institutes (Sun Trust Bank, Preger, Sealy and Company, Inc. and Banc of America Securities) to assist the Recreation District in possibly refinancing the original Bonds and issuing additional Bonds to complete the necessary acquisitions, renovations and improvements of the Recreation Districts valued assets. Banc of America Securities was determined to be the best source to assist the District.

"What does this mean for our residents?" We have the ability to reduce the interest rates of our Bonds, extend the term and secure several million dollars to complete the acquisitions, renovations and improvements identified in the *Recreation District's Master Plan Projects*.

"How can we, the residents, accomplish such an undertaking?" First, we, the property owners of Herons Glen must approve by a majority vote the *Recreation District's Master Plan Projects* submitted by the Board of Supervisors. Second, the Lee County registered voters with an address in Herons Glen, must approve by a majority vote any changes or issuance of new Bonds to secure the necessary funds for financing the projects. There will be two separate and equally important votes by our residents.

"What will this cost our residents?" There are several "ifs" involved and we will attempt to explain each. First, the registered voters/owners must approve the refinancing of the Bonds by a majority vote. Second, the new Bonds must be sold at the price that would allow the District to receive adequate funds to complete the projects. Third, the cost to the residents would have to be financially acceptable to our residents.

"What are the expected annual expenses for a single family residential home?" This chart example shows the current and the expected expenses:

	<u>Current Resident expenditures</u>	<u>Expected Resident expenditures</u>
Bond	\$1101	\$1339 to \$1350
HGRD	\$1040	\$1002
HOA	<u>\$1710</u>	<u>\$1510</u>
	\$3851	\$3851 to \$3862

Our bond ballot vote indicates that the bond cost can't exceed \$1350, if approved. This means the maximum amount of increase could only be \$50 annually as shown in the example above. However, this cost could be lowered dependent on the interest rate and if the CLIS System is purchased. If the CLIS System is not purchased, funds financed would be less but bond payments could then increase.

A quick explanation related to the expenditures: The acquisition of the CLIS System is one of the primary elements of the project. It will have a profitable revenue stream as evaluated by the due diligence of our research and evaluation of the system. The Recreation District will use these expected profits to reduce the annual assessments to our residents by reducing the assessments from the HOA. With the purchase of the CLIS Irrigation System, we anticipate the costs for the individual homes and common areas would decrease, making up most of the increase in Bond payments.

By refinancing the Bond, the expected increase to our residents is between \$0 and \$50 annually for the CLIS/land acquisition, improvements and renovations described in *Recreation District's Master Plan Projects*.

"What are the alternatives to pay for these items?"

- The District can use existing Capital Funds
- Assess a special assessment to cover the costs of the projects
- Obtain the necessary funds by issuing new Bonds, with the approval of Lee County registered voters with a Herons Glen address.

We do not have Capital Reserve Funds at the required level nor does the Board of Supervisors wish to impose a special assessment on our residents. The refinancing of the Bond is the best financial decision for the Recreational District and our residents.

"What about our existing Capital Reserves?" The Recreation District and Board of Supervisors will make every effort to not use any of the existing Capital Reserves for these projects.

"What is in the *Recreation District's Master Plan Projects* and recent developments requiring immediate attention?"

- Acquisition of the Common Lot Irrigation System (CLIS System).
- Establishment of a Capital Reserve Fund for the CLIS System.
- Acquisition of 12.6± acres of land located around the treatment plant and Maintenance Facility, to include the existing effluent water storage components.
- Renovation of the Golf Course to include Greens replacement, drainage/irrigation redesign/repairs and golf course character enhancements. *(This item was approved by the Board of Supervisors with the financing options during the December Board meeting. The renovation will begin on or about April 18, 2006.)*
- Renovation of the Herons Nest Restaurant to include expanding the kitchen and obtaining new kitchen equipment (as required), expanding the Nest Restaurant, creation of a Casual Lounge/19th Hole, new interior décor, replacing defective windows, parking lot expansion for autos and golf carts and a potential lake relocation, if required.
- Structural repairs of the Clubhouse to include window replacement, repairing stucco cracks, and wallboards.
- Construction of a storage area for vital District records (Ballroom wing).
- Construction of a new Golf Pro Shop Building and relocation of the golf cart storage area to near the Golf Maintenance Building.
- Relocation of the fitness center to the existing Pro Shop area, allowing the creation of additional card or game rooms in the existing fitness center area.
- Renovation of the Golf Maintenance Building to include a workshop, offices, and enhanced facility as well as an environmentally secure area for washing our golf course equipment and mixing chemicals.
- Expansion of the RV/other vehicle parking area(s).
- Potential acquisition of the Sales Center and surrounding acreage.
- Funds will be placed in Capital Reserve to insure the projects can be completed properly.
- Lake Management-Erosion controls, aquatic plants, and fountain/bubblers.

There will be four separate **presentations to our residents** by the Board of Supervisors, the Bond Council (attorney), a representative from Banc of America Securities and engaged experts assisting the Boards' presentation on February 9th and February 27th at 3PM and 6PM in the Ballroom. We would appreciate your attendance at one of these important meetings.

Both the Bond Referendum Vote and the *Recreation District's Master Plan Projects* vote will be March 7, 2006 at Herons Glen. Absentee voting will be available as required.

The many enhancements, acquisitions, renovations, repairs and replacements are all necessary to insure the well being and continued enhanced value of our assets, the Recreation District. The proposal has been presented and reviewed by the Homeowners Association Board of Directors who adopted a Resolution in support of the proposal and direction of the Recreation District.

We have experienced increases in value of our property and we expect this value to continue to increase in the future. With these renovations and acquisitions we will continue to enhance these values while protecting our resident's personal interests. The cost to each owner is a small amount and will be a very wise investment for each.

Hérons Glen Board of Supervisors

John DeMarkey
Karen Jessop
Dorothy Klewicki
W. R. Smith
Conrad Weyer

Questions & Answers

GENERAL QUESTIONS:

Why do we have to do all these projects now?

- The CLIS System and the land acquisition require immediate action as the District has the "right of first refusal" for the CLIS system. If we do not act on the offer made by Earthmark the system will be sold to the highest bidder. The land is tied to the CLIS Systems. Several projects from the Master Plan including the Golf Course Renovation, Restaurant/Kitchen/Casual Lounge/19th Hole, Clubhouse repairs, etc. are essential at this time. To obtain the necessary finances it becomes practical to move forward with the complete Master Plan instead of having to come back to the residents for additional monies at another time and the Bond financing is dependent on the interest rates which are generally rising.

Are all these projects necessary and why?

- Yes, based on our research and due diligence all the projects are necessary for various reasons including preserving the value of the Districts' assets (and thus our homes), insuring our Golf Course can remain operational and deliver profitable revenues, allowing our residents and outside guests an adequate restaurant facility, and providing and enhancements and repairs to our Clubhouse facilities.

If we go after new bonding why don't you lower my fees instead of doing all these projects?

- We must preserve, protect and maintain our assets in the District. The reissuing of the Bond can only be done once during the life of the Bond. Reducing fees would delay these vital projects and in most probability increase the costs to the residents as each project must be completed.

Can I vote to just do some of the projects, but not all of them? If not, why not?

- No, the property owners will have the ability to vote for the Recreation District Master Plan Projects as one complete item. The registered voters of Lee County with a Herons Glen address will also be entitled to vote for the refinancing of the Bond. There is a once during the lifetime of the Bond the ability to issue new bonds and we must use the funds from the Bond during a specified timeframe. To obtain adequate finances it is imperative we consider the bond rather than creating a bank loan. All the projects are quite necessary and require immediate attention.

Where will money come from if other projects could come up in five years?

- Based on the due diligence and research of the Board of Supervisors for the Long Range Master Plan additional projects are not foreseen nor expected. We continue to reserve Capital Funds annually in our budget for planned expenditures.

What about the Sales Office and surrounding land?

- The District has approached Taylor-Woodrow regarding the Sales office and the surrounding land. At this time they are not in a position to move forward with any transaction. There was a strong interest delivered to Taylor-Woodrow from the HOA and the Recreation District.

BOND STATUS QUESTIONS:

How much will all these proposed projects cost me?

- Based on the information we have obtained from the financial institutes engaged, it will cost each resident homeowner additionally between \$0 and \$50 more per year.

How many years for the bond?

- The Bond will be a 30 year Bond.

Can I pay off my portion of this bond now?

- If desired you may pay it all at the time of the Bond sale or at anytime you desire thereafter.

How will the voting process work for the Bond Referendum election?

- The Florida Statutes 2005 Chapter 100.201 (Referendum required before issuing bonds) through 100.351 (Referendum election; certificate of results to Department of State) will be used as required by Florida Statutes.

- **Lee County Registered voters**, with a resident address in Herons Glen will be eligible to vote "yes" or "no" for the Bond Referendum.
- The majority vote will determine the outcome of the bond election.

How will the voting process work for the *Recreation District's Master Plan Projects*?

- The property owners in Herons Glen will vote "yes" or "no" on the *Recreation District's Master Plan Projects* at the same time as the Bond Referendum but in a separate vote. There is a majority vote required for approval.

GOLF QUESTIONS:

I think the golf course is fine. Why are we spending all this money on the golf course?

- After much discussion in the Golf Committee meetings over the past several years, the District hired a well respected agronomist to evaluate the Golf Course and especially the putting greens. The report is available for review and it states our greens are in dire shape. Replacement of the greens is essential. The District formed an ad hoc committee to research the issues and the committee recommended we hire a well known and respected golf course architect to develop a plan for the course. The results were presented to the residents and a video is available for viewing. The architect recommended a renovation of the golf course to address the greens, irrigation issues and drainage problems as well as adding character to the course.

Why can't the golfers pay for the golf course renovations?

- The golf course is a highly valued asset of the District and heavily impacts every owner by increasing their property value. To charge only the golfers would not be the best alternative. Everyone gains benefit from the renovation. Each resident pays for all of our amenities when they pay their share of the Bonds we currently have in force. The golf course members, through their annual membership dues, pay for the maintenance, upkeep and other expenses of the course.

Will the golf fees increase?

- Golf fees are evaluated each year by the Board of Supervisors. The Golf Membership fees have remained the same for many years except to reduce single membership fees. This project is not expected to change that situation.

How long before we have to renovate the golf course again?

- When the golf course was built the greens were "push-up greens" which is nothing more than piled up dirt without a drainage system. These types of greens

fail over time and must be replaced. We will have USGA approved and designed greens which should have a very long life. Many USGA greens are in full use after 50+ years.

- The flooding and drainage problems have been an issue since the golf course was built. The irrigation issues equally have existed as an issue since the course was built especially involving the greens. Later renovation will not be necessary.

How can I be sure we won't still have major flooding/drainage problems on the golf course?

- The golf course architect has redesigned/renovated several holes to alleviate the flooding/drainage issues. Drainage problems may still exist in some areas where the golf course meets resident property. In order to fix those areas would take a complete drainage system around the entire golf course which would be cost prohibitive.

Will the project really be completed in 6 months?

- The architect has assured the Board of Supervisors that beginning the renovation in April and with normal weather conditions the course would be fully ready for play in 6 months.

Why can't we do 9 holes this year and 9 holes next year?

- The cost would be prohibitive. The revenue loss would double and the cost to renovate would increase significantly due to the contractors having to remobilize their equipment and work force twice.

RESTAURANT QUESTIONS:

Why do we need restaurant renovations when the restaurant is still losing money?

- The restaurant is an amenity enjoyed by most all of our residents and an ever increasing number of outside guests. We continue to offer a 10% discount to our residents and the food and beverage charges are kept at a very competitive level. Like most amenities there may be a deficit or cost associated with the amenity, like our restaurant. Other amenities like the tennis courts, the swimming pool, bocce courts, shuffle board courts, various card room activities, exercise room, etc. have costs associated with these operations but are great amenities for our residents. Our restaurant costs (loss) of operations are significantly better when compared to other country club restaurants in Southwest Florida and Florida overall. The operation is well managed and continues to grow year over year.

How long will this new proposed kitchen and restaurant size be adequate?

- The renovation will be adequate for many years. To enlarge again would be very difficult due to the unavailability of space and land.

Why do we need a 19th Hole/Casual Lounge? Can't people just use the current bar area?

- Over 78% of the respondents to a recent resident survey requested the need to create a separate 19th Hole/Casual Lounge facility. An ad hoc committee comprised of Supervisors, District General Management, the Restaurant Committee and the Building Committee members investigated the issue and developed plans with an architect to create a separate lounge while enlarging the restaurant and the kitchen. The current bar is not adequate and creates issues for our diners.

We don't have enough parking spaces now, what will happen if we enlarge the restaurant? Where will people park?

- To enlarge the restaurant and add a 19th Hole/Casual Lounge will require additional parking for autos and golf carts. This will be part of the expansion project. The exact required number of spaces and location will be developed by the architect and Lee County code requirements.

CLIS QUESTIONS:

If the District doesn't buy the Common Lot Irrigation System (CLIS), who would purchase the system and why would anyone want to purchase it?

- CLIS system will deliver an attractive profit stream for the purchaser. CLIS requires the HOA to bill and collect the fees (revenue) and forward any issues to the owner. This business venture has a guaranteed revenue stream with minimal involvement from investors or an irrigation company. The residents must use the system and pay the fees. The CLIS system is not regulated and the owner can increase the charges over time without any approval. There are investors who would purchase the system as well as companies that are in the irrigation business. It would be in our best interests to purchase the CLIS System for our own protection and interest.

Some of this system is old, how do I know it's still in good shape?

- The vast majority of the system is quite new. About 600 homes and lots were connected in the mid to late 1990's. They now have increased it to nearly 1300 lots with the majority being connected in the past year or two. The District hired an Engineering firm to evaluate the system and make recommendations. The District will also place in Capital Reserve monies to insure any system requirements and potential repairs do not impact the residents should repair issues develop.

Why do we need the extra land near the sewer plant?

- There are several reasons including the need to store effluent water for the golf course irrigation and possibly our lawn irrigation, if feasible, expansion of the RV/other vehicle parking facilities, maintenance building expansion areas for environmental reasons, and relocation of the golf cart storage.

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