

Indigo East
Community Development District
Workshop Meeting Agenda

Wednesday
April 27, 2022
1:00 PM

Circle Square Commons
8395 SW 80th Street
Ocala, Florida 34481

- I. Roll Call
- II. Discussion of Interlocal Agreement Between Indigo East CDD and
the Bay Laurel Center CDD Related to the Issuance of Utility Bonds
- III. Other Business
- IV. Supervisors Requests
- V. Adjournment

To: Bay Laurel Center CDD and Indigo East CDD

From: Bay Laurel Center CDD Financing Team

Re: Potential Tax-Exempt Financing and Refinancing of Bay Laurel Center CDD's Water and Sewer Revenue Bonds

The current municipal market tone is dramatically different from what was experienced during the second half of 2020 and most of 2021. Inflationary pressures and the anticipation of the Fed's continued actions regarding interest rate hikes has caused several headwinds in the market. Benchmark interest rates, both tax-exempt and taxable are trending notably higher.

As a result of the substantial increases in rates, the debt service savings associated with a **taxable** refunding of all the outstanding Bay Laurel Center CDD's (the "District") Series 2011 Water and Sewer Revenue Bonds has completely diminished. Furthermore, the cost of financing the District's Utility System Series 2022 new money issuance on a **taxable** basis has increased considerably.

Despite increases in tax-exempt rates, we have identified an opportunity to use tax-exempt financing with incrementally better results than both the taxable refunding and the taxable new money financings. Substantial debt service savings may be realized if Indigo East CDD issued the District's proposed bonds on a tax-exempt basis. Below we have highlighted the significant differences between issuing the refunding and new money on a taxable basis, versus tax-exempt. **Issuing new money bonds on a tax-exempt basis saves the District's utility customers \$22.21 million in debt service costs when compared to a taxable new money issuance.** We anticipate rates will continue rising in the near future and moving expeditiously through this process will help the District mitigate additional debt service costs and generate the greatest debt service savings for the benefit of its utility customers.

Refunding	Tax-Exempt	Taxable	New Money	Tax-Exempt	Taxable
Par Amount Refunded	\$29,465,000	\$29,465,000	Par Amount	\$114,660,000	\$126,860,000
Net Present Value \$ Savings	\$1,804,026	(\$920,433)	Interest	\$110,725,100	\$120,731,885
Net Present Value % Savings	6.12%	(3.12%)	Total Debt Service	\$225,385,100	\$247,591,885
Gross Savings	\$4,135,667	\$239,631	All-In TIC	4.24%	5.04%

According to Bond Counsel's review, under current Federal tax law, Bay Laurel CDD can only issue taxable bonds, whereas Indigo East CDD can issue tax-exempt bonds. The IRS has taken the position since 2013 that a special district such as a CDD is not qualified to issue tax-exempt bonds unless its Board of Supervisors is or will be elected by registered voters, rather than landowners based on acreage. Under Florida law, CDD supervisors are elected by landowners until after 6 years and when there are at least 250 registered voters residing in the CDD. At that point vacancies are filled by registered voters in general elections. Indigo East CDD has fully transitioned to registered voter status and can thus issue tax exempt bonds, either for its own district public infrastructure improvements, or by interlocal agreement with another government for public infrastructure improvements in another district. Bay Laurel CDD does not have the requisite number of registered voters, so its landowners continue to elect Board members on the basis of acreage. Thus, Indigo East CDD bonds would be tax-exempt; Bay Laurel CDD bonds would be taxable.

Bay Laurel's financing team is on standby to prepare an interlocal agreement and related documents that **would allow Indigo East CDD to issue tax-exempt bonds to refinance Bay Laurel's outstanding utility bonds and fund the new utility projects, without adding liability to Indigo East.** This structure would save the District over \$26 million under present market conditions, benefitting all utility customers. Furthermore, this interlocal agreement would pledge all revenues for the debt service on the proposed bonds which would come from Bay Laurel. Indigo East would simply serve as a conduit issuer to achieve maximum savings on the utility system for the benefit of the community.