

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held on Wednesday, March 28, 2012 at 1:00 p.m. at the Holiday Inn Daytona Beach LPGA Blvd., Boardroom, 137 Automall Circle, Daytona Beach, Florida 32124.

Present and constituting a quorum were:

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| Robert Welsh | Chairman (by phone) |
| Ed Bertsch | Vice Chairman |
| John McCarthy | Supervisor |
| Tom Leek | Supervisor |

Also present were:

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| Jim Perry | District Manager |
| Jonathan Johnson | District Counsel |
| Kurt von der Osten | Field Operations Manager |
| Jamie Rountree | Team Rountree |
| Billy Pappas | Team Rountree |
| Rob Gilliland | Commissioner – City of Daytona Beach |
| Residents | |

FIRST ORDER OF BUSINESS

Introduction

Mr. Perry called the meeting to order at 1:00 p.m.

SECOND ORDER OF BUSINESS

Approval of Minutes of the February 22, 2012 Meeting

Mr. Perry stated included in your agenda package is a copy of the minutes of the February 22, 2012 meeting.

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| On MOTION by Mr. McCarthy seconded by Mr. Bertsch with all in favor the Minutes of the February 22, 2012 Meeting were approved. |
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THIRD ORDER OF BUSINESS

Jubilee – Stormwater Pond Update

Mr. Perry stated included in your agenda package is a letter dated March 16, 2012 from the St. Johns River Water Management District regarding the Jubilee subdivision permit.

Mr. Johnson stated as you can see from the correspondence, the St. Johns River Water Management District has appropriately concluded that you have not taken ownership of either of those permits or of those facilities, so they are directing their enforcement action elsewhere. I think the letter speaks for itself.

Mr. Leek asked does that mean we are not going to spend any more money on Jubilee's problem there?

Mr. Johnson responded we don't anticipate doing so.

FOURTH ORDER OF BUSINESS

Sidewalk Repairs with They City of Daytona Beach

Mr. Perry stated this is an issue that has been going on for quite some time now. We do have some representatives from the City here today, in regards to this issue. Some of the discussion took place back in 2010 and 2011. Some of it was being handled by Lynn Scruggs with Hopping Green & Sams and also with Ben Gross with the City of Daytona Beach. If you recall back in 2010, we were still working through and optimistic about collection of certain assessments from most of our major landowners that have undeveloped lands, most specifically the Coastoak Group. Subsequent to that, we have had the issue with our non collection of these assessments.

Commissioner Gilliland stated it seems like there are some differing opinions and they are legal and otherwise. I was asked by Mr. Leek to come and take a look. We have had the City go through and review the development agreement, which is quite old. The City agrees that there are areas, where we assumed responsibility for tree and sidewalk maintenance. I believe it is agreeable that the District has responsibility for landscaping in certain areas. There have been different conversations over the years about who the responsible party is for the unevenness of the sidewalks, related to root systems and trees. At that point, that is when Mr. Gross had gotten involved with the City Attorney's Office, who felt there was a causation issue of the landscaping is causing maintenance issue with the sidewalk. I spoke with Ron Maclamore, who is the City's Head of Utilities about two weeks ago. I am happy to coordinate whatever we can do to try and find a solution for this. The City's position is that they feel there is a joint responsibility that the cause is the root system of the trees, which is CDD responsibility in certain areas but the sidewalks are the responsibility of the City. The City currently has \$1.8M in sidewalk repairs slatted citywide. The estimate is about \$100,000 within LPGA. The first offer thrown out there

was that if we went through and did it that the City would be willing to consider an arrangement, where the City would cover half of the cost and the CDD would cover the other half. That is not a formal offer at this point. That was just a conversation I had with the City Manager and Ron Maclamore. I am happy to continue dialogue along that line. The board has some challenges fiscally, as well. The City has its own budget challenges, as well. I think there is probably something we can do jointly that will help resolve this.

Mr. Bertsch asked I understand the repair part of it and the root part of it but how about the cleaning?

Commissioner Gilliland responded Ron has been with Public Works for a couple years and to the best of his knowledge the City has never participated in any cleaning of sidewalks in LPGA.

Mr. Leek stated I think we have always done that but part of the complaint is the sidewalks are slippery. I think we have on occasion had those sidewalks pressure washed to make them safer. We have done that. The City has not.

Commissioner Gilliland stated if we get into more formal conversation about what the needs are and who the responsible parties are, then I think that needs to be brought into the conversation. For the folks that don't know, the areas where you have the oaks on either side, there are some areas that are in the shade all day long and there is mold that is growing on the sidewalks. It is slippery. One of the things I checked was with our incident review committee was what we had for liability claims out of LPGA related to slips and falls or trip and falls due to either unevenness or mold. To date, we have only had one person tell us there was an issue and they did not pursue that claim. That would indicate the urgency from the City's side to a certain degree. We recognize there is exposure there. We want to make sure both issues are addressed.

Mr. Leek stated the very few complaints that have been brought to this board have not been about any injuries or trips and there is a difference in expectation between having a safe sidewalk and a perfect sidewalk. My expectations are for safety and not perfection. My expectations may be different from the complaints that we have had from Jubilee. I think they want perfection.

Mr. McCarthy stated my position is the City signed off on the landscaping in LPGA and everyone assumed certain responsibilities and part of the landscaping is the trees. Knowing what

would happen with the shade, the sidewalks were going to get moldy and dirty and that is part of the City's responsibility to keep them safe.

Commissioner Gilliland stated unfortunately that is a perfectly reasonable position. We need to get through this. We need to have the right dialogue. What has happened is when the City approved the landscaping plan, they meant that it met City code. There was no review to say what will the long term consequences be of this. We are talking about sidewalks today and in five or 10 years, we will be talking about the streets because that same root system that is tearing up the sidewalks, is going to cause the streets to bump up. We are setting a precedent now. Down near the entrance on Champions near LPGA, there are some areas that are black. You can tell it would be easy for someone to slip and fall on that. Both of those issues need to be addressed but I think the first thing we need to come up with is what are the long-term solutions. One of the things the City is going to say is if you have an area of sidewalk, where it will be in the shade all sunlight hours that it will be moldy and should be cleaned monthly, so then the only solution would be to remove the trees. Then we would be going down a path that no one is going to like. In all honesty, it was a bad plan. If we were to do this over again and someone showed up at the City tomorrow, we would not accept dedication of the sidewalk with the trees. It was a mistake that was made back then by not protecting the taxpayers but the City has obligations and responsibilities. My job is to make sure we are doing what we can and what we should to fulfill those obligations.

Mr. Leek stated we have been dealing with this issue off and on for a couple of years. I have made some personal observations in different City's and how they deal with this. If you go to Savannah or Columbus, Ohio and you walk through the older neighborhoods where the oak trees are two feet in diameter, they take that orange fluorescent paint and if there is any separation they paint it, so you can see it. I am sure they are going to get around to fixing it. We have two issues with ours; one, is to keep it clean and the other is trip and falls. I am sure we can look at proposals, which we did before but we came to the conclusion before that the City approved the plan. The sidewalks belong to the City and anyone, who didn't think those trees were going to grow made a mistake. The question is who pays for the mistake and how much.

Commissioner Gilliland stated and what is the long-term solution because if the City has to pay for it, the City's position is going to be that we are taking the trees down.

Mr. Leek stated and they have already proposed that. They also proposed completely replacing the sidewalk with some sort of a flexible asphalt material all the way through. The problem is that is all cost prohibitive. It just can't be done right now. There was no aesthetically or financially feasible plan presented by the City when we went through this the last time.

Commissioner Gilliland stated there isn't a silver bullet here. We are not going to find something, where we say the City is willing to spend \$50,000 a year maintaining sidewalks in LPGA.

Mr. Leek stated I would really like to see that estimate for LPGA because I just can't imagine that. I would like to see that estimate versus a private company estimate on it.

Commissioner Gilliland stated we are kind of on the front end of this. I was just asked a month ago to have the public works guy go out and do some surveying, particularly along Champions because that seems to be the most utilized sidewalk. I think you are looking at the risk portion of this. When we do streets, we look at how much longer the life span is on it and we assign resources as they become available, which in this case is mostly gas tax money. That doesn't mean the ones on the bottom of the list doesn't need assistance or repair but it just means that based on the resources we have, the one at the top of the list is going to get done first. I think we may be able to do something similar to that Citywide. There are certain places along Champions, where you can see a two-inch gap in an area right next to a tree.

Mr. Leek stated I really want to thank you for coming and giving us that information from the City's perspective. I would just say if the CDD is going to be asked to participate financially in the repairs that I would not favor that, unless it is put out for bids. Competitive bids are the way we do everything.

Commissioner Gilliland stated we need to continue the dialogue between your attorney and the City attorney. We are talking about a negotiation about whether the two sides can agree on if it is entirely one party's responsibility or should it be split and if so, what should the split be.

Mr. Leek stated my recollection is that question was answered the last time and it was that we have no responsibility, however, it was suggested by Lynn that we participate financially because of a liability issue because we would be sued if someone tripped and fell, even though it was the City's responsibility to maintain the sidewalk. Because we had no liability suits or

anything else in the last 15 years, we just rejected that as a valid reason for us to participate financially.

Commissioner Gilliland stated if we come to an agreement then we can use that as a precedent moving forward, so we don't have to keep revisiting this.

Mr. Johnson asked if, at some point, my client were to agree to participate financially on some level, would there be a willingness on the part of the City to consider an interlocal agreement that would allow the City to go do those repairs and allow this board to spread the cost of repaying the City for their share over a period of years?

Commissioner Gilliland responded I think that is a perfectly reasonable direction to head. I think the first step is getting in agreement as to whether or not one party is solely responsible or if it is a joint responsibility. Then if we agree that there is a shared responsibility, that we start looking at the structure of that agreement to make sure that when we move forward that we are not unduly burdening one side or the other financially. We are doing things we need to do. We have eliminated about 40 positions. We are making the tough decisions that we need to make right now to fix that. This isn't 2005, where we had a fixed mileage rate of 6.7 and everyone's values were going up. We are trying to be responsible. We are in the same situation as the CDD but not to the value, where you have unpaid assessments but we do need to be sympathetic to each other's financial positions. I want a long-term solution.

Mr. Bertsch stated I noticed that other City's, like Ormand Beach and Holly Hill are using prisoners to do work. Does Daytona Beach utilize that?

Commissioner Gilliland responded yes.

Mr. Bertsch asked could that be a consideration here for power washing because I think the biggest cost for power washing is labor?

Commissioner Gilliland responded it could be. That is an interesting point. The problem with talking in too much detail about the cleaning part is the City hasn't had any real discussion about it and if they have I am not aware of it.

Mr. Leek stated the only discussion has been this board asking them to do it and them saying no and then us doing it.

Commissioner Gilliland stated we should employ police officers. We should employ fire fighters. There are certain things we should not be involved in. We should never compete with the private sector, unless there is a long-term benefit. LPGA Golf Course is a perfect example of

that but we should not run those golf courses because we are a City. We don't know how to run golf courses. We should not cut grass. There are people that do a better job and do it more cost effective than a City employee. Cleaning sidewalks is something that falls into that. We shouldn't employ people to do that sort of thing. I believe in bidding everything out.

Mr. Perry asked moving forward is there a contact person you want us to funnel this through and for us to work with?

Commissioner Gilliland responded I think Ron of public works, is the best lead person to work with there.

FIFTH ORDER OF BUSINESS Other Business

There being none, the next item followed.

SIXTH ORDER OF BUSINESS Staff Reports

A. Attorney

Mr. Johnson stated we were informed verbally that the bondholders were talking with Hayman Woods. There was a proposal on the table that seemed to be gaining some traction involving an opportunity to have property owners prepay bonds at a percentage on the dollar and a one time window and involving potentially redeeming some of the monies in the construction fund. I believe that proposal has been pulled back by Hayman Woods and they are continuing to evaluate how that would affect the 99C bonds that burdened some of their property. We did hear some positive movement but nothing has been put on paper and presented to us, other than a status report from counsel from the bondholders.

Mr. Perry stated I have not heard anything at all in regards to that.

Mr. Leek asked do you think things are moving forward or at a stalemate?

Mr. Johnson responded I think the parties took two steps forward and one step back. I think that the bondholders will have more incentives soon to push themselves because their final parcel payment from reserve funds will happen this May and at that point they will no longer be receiving monies, which I think will encourage them to be more open to some kind of a resolution with the property owners. I think that the proposal was pretty intriguing, so if something along those lines comes back on the table that might be something of value.

Mr. Leek asked so in May we will be officially in default?

Mr. Perry responded yes. I will go through that when we get to financials. Within the last two to three months, we have seen a lot of activities with other Districts with the bondholders and restructuring deals and working with major landowners. Although the dollars here are not substantial as compared to other Districts, I would think some of the lack of attention from the bondholders and from the trustee is because they have been focusing on bigger Districts. The positive is, there is movement. The negative is we aren't getting any movement here. There appears to be some discussion and some possibility that there will be a workout with Hayman Woods or Coastoak or another entity but there is nothing concrete here.

Mr. Johnson stated Lynn Scruggs is no longer with my firm. She has moved on. Her last day was earlier in the month. In the meantime I have been doing your work and I do expect to bring in another associate.

B. Engineer

There being none, the next item followed.

C. Manager

There being none, the next item followed.

D. Field Operations Manager

Mr. von der Osten stated in the past week I had a conversation with the District Engineer, CH2M Hill, who is going to request the District issue an RFP for a new District Engineer. They feel the District would be better served with a smaller localized firm with local connections. They indicated that if we needed assistance with putting together the RFP that they have several on the shelf that could be utilized.

Mr. Perry stated I haven't received a letter to tender resignation from them. I will get with them. The RFP is just a standard RFP for engineering services.

Mr. Johnson stated it is a standard one paragraph ad. It is governed by statute. You are simply requesting qualifications. You are not allowed to request pricing information. When you receive the qualifications, you are required by the State to rank them on who is the most qualified to the least qualified. Then you authorize contract negotiations, so at that point you would see

the engineering firms rate sheet. If that is unsatisfactory or you are unable to negotiate a contract then you would go to the second most qualified and so forth.

Mr. von der Osten stated fountains three and four at the International Golf Entrance are down again. We have had quite a few problems there over the last two and a half years. We have replaced both motors. They are down again. I have had two different fountain company's look at it and the consensus is there has to be something else going on besides motors going bad. I am attempting to trace the problems back to the panels. I have a couple different proposals. Some include new motors and new lead lines back to the panel. Some of the proposals are an entirely different pump and lead line, which would come with a two year warranty. At this point I have one more inspection next week and a proposal coming in. At this point I don't have a clear recommendation for you but I wanted to let you know we are exploring other avenues on those two fountains. Have you heard any complaints on them?

Mr. Leek responded I haven't.

Mr. von der Osten stated I have an item here that goes back to late last year and a car accident. There was a car accident in the median and landscape damage occurred. Last week I spoke with the insurance company and they are sending us a reimbursement check for the cost of the landscaping, which is \$420.

Mr. Leek asked was this the tree in front of our place?

Mr. von der Osten responded this is south of Centennial. They damaged two but we were able to salvage one. We have a little bit of spring cleaning going on. We recently pressure washed all of the directional monuments throughout the community. Previously, you authorized certain panel replacements but we actually need more than that. We haven't replaced any yet. I need to replace panels and paint stucco. I was going to ask the board to authorize up to \$2,000 for panel replacements and stucco repairs and repainting of the monuments. The club has come in and repainted a few things for us. I met with the new club manager. We talked about community image and sprucing things up. Sprucing these signs up is really a recurring expense every year. I think we can do it for under \$2,000 but I haven't gotten a total on how many panels to replace but it will be close.

Mr. McCarthy asked can we get the directional sign monument as you are going out Champions on the east side removed?

Mr. von der Osten removed those are probably the worst panels. We just removed one from there that you requested.

Mr. McCarthy stated if you are heading north out there is nothing out there except the exit.

Mr. von der Osten stated it is a challenge for visitors to find their way around LPGA.

Mr. Leek stated because you have to come to a complete stop to read those letters.

Mr. McCarthy asked does anyone have an objection to removing that one?

Mr. Bertsch responded I think that is a good idea.

Mr. Leek stated I can't even visualize which one you are talking about.

Mr. Rountree stated it is the one directly across from Tournament Drive.

Mr. Leek stated I have no objections with removing that one.

Mr. Perry stated I think we have enough direction on that.

Mr. Welsh stated I would like to thank Kurt for putting in those no fishing signs. It seemed to have helped tremendously. I haven't seen anyone fishing in those ponds.

Mr. von der Osten stated you are welcome. We have a few more going in. The posts are getting made, so they match on all of the lakes. We still have the other signs I would like to clean up and refurbish.

Mr. McCarthy asked did you see the signs that we had damaged in Renar?

Mr. von der Osten responded yes.

Mr. McCarthy asked do you know how much each one of those signs will cost?

Mr. von der Osten responded no.

Mr. McCarthy stated it is \$1,100 each sign.

Mr. Leek asked what happened?

Mr. McCarthy responded someone vandalized them. They broke them and stole a couple of them.

Mr. Leek stated we need to charge up our neighborhood watch.

Mr. Perry stated we have funds in the budget for those types of items.

Mr. McCarthy asked what was that in the last minutes about golf club entrance enhancements?

Mr. von der Osten responded the only thing we discussed is the painting but I believe they are discussing other items.

Mr. Rountree asked was that a direction to go ahead and get that sign out and sod it and make it look like it was never there?

Mr. von der Osten responded right. I have a few proposals here from Rountree. We have one for dead tree removal in Grand Champions in the south. Over the last year we have accumulated 15 dead sable palms. It is \$1,275. They are in the median. I would recommend from a safety standpoint to have these trees removed. There are a lot of palm trees down there. We can remove them and see what size of gap remains. If there is a large gap, we might need to replace a couple of them but for now, I would say let's remove the trees and see what it looks like.

Mr. McCarthy stated we need to remove them.

Mr. von der Osten stated the landscaping has been installed at the roundabout in the back of Grand Champions on Champion Ridge Drive. It was paid for out of the construction account. I have a proposal here from Rountree for \$579 per month for the maintenance of that area.

Mr. Perry asked is that the new roundabout?

Mr. von der Osten responded right.

Mr. Rountree stated there are four islands total and two small common areas and one very long common area.

Mr. McCarthy asked and that is all included in this?

Mr. Rountree responded yes.

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| <p>On MOTION by Mr. McCarthy seconded by Mr. Bertsch with all in favor an Addendum to the Rountree Contract to add the Landscape Area at the Roundabout on Champions Ridge Drive for a Cost of \$579 a month was approved.</p> |
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Mr. von der Osten stated we have approximately 40 2x4's that need to be purchased. Certain oak trees out there are possibly not established yet. The proposal is for \$485 by Rountree to re-stake these trees. We will move forward on that. The one item we did budget for was maintaining of the conservation area. It is still out there and that is the gopher tortoise habitat.

Mr. Leek asked didn't we decide to have a plan to do different portions of that each year until we had gone through the full rotation?

Mr. Bertsch responded we also discussed we weren't in a hurry because of the economic conditions.

Mr. von der Osten stated we could go ahead with the plan and then we would at least have the plan on the shelf.

Mr. Leek asked how much was the plan?

Mr. von der Osten responded I don't recall.

Mr. Leek asked since we are not in a big hurry on that, why don't we just bring that back next month?

Mr. von der Osten responded okay.

SEVENTH ORDER OF BUSINESS Supervisor's Request and Audience Comments

Mr. Leek stated I think one of things we touched on here was the golf club repainting signs and doing some other things. I think there has been a big change there in the management. Consolidated Tomoka has changed to a golf oriented management company. I have been fortunate to sit in on a couple meetings and a couple committee meetings. I think there will be a lot better partner there than we have had in the past, as far as sharing cost and promoting image and improving facilities. I am really excited about that. Some of you may have heard me complain about the five palm trees that were put in several years ago between the edge of the 18th green and the restaurant and those have already been moved. I think Jamie's crew moved them a couple of weeks ago. I encourage you to go up there and have lunch and look out the window and you can actually see the green. I think we are going to see some very positive things here in the next six to eight months.

Mr. Bertsch stated I haven't checked this months bills, as far as electric. Have you calculated any savings since we started cutting back on the lighting?

Mr. von der Osten responded if you look under the utilities in the financials, we are under budget. We cut the budget but we are running under budget. I attribute that to being diligent on timer control and resetting them.

Mr. Leek asked have the timers been adjusted since we changed time?

Mr. von der Osten responded yes.

Mr. Leek stated I had to take my wife to the airport at 5:00 a.m. and it was pretty dark driving down the street.

Mr. Bertsch stated I think the biggest problem we have is the streetlights at the entrance to Tournament from LPGA are tied into the tree lights, so those have been going off and that is dangerous.

Mr. von der Osten stated I did speak to the electrician about it. It would have to be run all the way back to the panel and a new breaker installed. I didn't get an exact price.

Mr. Bertsch asked aren't the streetlights on Champions separate?

Mr. von der Osten responded I don't know. I'll come back with an exact number.

Mr. Bertsch stated as far as the tree lights, you don't even need them for safety on the road because they are not throwing any light on the road.

Mr. Leek stated that is exactly what I was referring to. You need those. If it is pitch black out and you are driving down there, like I was, it helps to have the tree lights.

Mr. Bertsch stated the most important ones are the streetlights at the entrances.

Mr. von der Osten stated we had an issue at the Champions entrance last month. It was a panel issue with the fountains, the lights and everything else was out. We had to rebuild the panel behind the entry wall.

Mr. Bertsch stated I feel like we should be talking about improvements or doing things for the community and it seems like all we seem to do is putting out fires. I would think we should be coming up with ideas to better the community. We have lands that we could probably discuss. People ask me all the time if we ever discuss anything about an area to park boats and RVs. It seems like a lot of communities do have that. I know right now with financials the way they are, we can't talk about spending any money but I think in the future we should talk about projects like that.

Mr. Leek stated it would be a good to know what the community thinks are the most important projects. We have talked about lighting. We have talked about a RV and boat storage area. The problem is how much money we have to spend. I think there was some sort of liability issue with the RV area. We were going to have to build 12 foot fences with razor wire and locks. We had to pave it to.

Mr. McCarthy stated we should put together a wish list.

Mr. Perry stated as part of the budget that we will start in May, we can start discussing that. There are a lot of other Districts that do different things. Unfortunately the position we have been in, in the last two years it has been more let's make sure we can pay the bills and keep

the landscaping looking good. Hopefully going forward we will have the ability to do some of these things.

Mr. Bertsch stated I had a lot of people come to me and said look at what happened down in Port Orange with that mall they put in down there and why don't we have something like that.

Mr. Leek stated I think having a list of CDD projects and maybe some estimates of costs would be a great idea.

Mr. Bertsch stated we have to have a need for people to want to move into LPGA.

Mr. Leek stated speaking of Developers moving in, there are a lot more activity south now than there was. I haven't driven through there but I have driven close by. What is going on down there?

Mr. von der Osten responded I was talking to a KB sales person just the other day, who is selling quite well in the Grand Champion section. I asked them why the people want to purchase here and they said the community looks great. I said why do you think the community is in the condition that it is in and the landscape is the way it is? It is because of the CDD. The fee is probably below the average for a community that size. My estimate is that year to date they have over 30 new home sales in Grand Champion alone by KB Homes. For this CDD to get out of the hole, it needs development. You are going to have to develop your way out of this problem. The builders are not going to move in, unless there is evidence that they can develop and sell homes. By KB Homes and other builders being successful right now, it is demonstrating the viability of the community and you desperately need that right now.

Mr. McCarthy asked who is in control of the homeowners association now?

Mr. von der Osten responded that sub association is controlled by the entity that bought the lots from Hayman Woods. The entity is Grand Champion II.

Mr. McCarthy asked could you send me some email contact information for the neighborhood watch?

Mr. von der Osten responded okay. Andy's group actually controls the HOA. They were assigned that status by Hayman Woods when they purchased the 151 lots.

Mr. Bertsch stated their sales people are basically advertising that they are paying the first five years of CDD fees to a purchaser. How are they doing that?

Mr. Perry responded they are probably issuing a credit at closing. They can pay down the debt but they can't prepay the debt.

Mr. von der Osten stated I heard it was a payoff of the CDD bond debt. You can't pay off your O&M.

Mr. Perry stated and we have had some pay downs recently.

Mr. Rountree stated this is Billy Pappas. He is the new operations manager for Team Rountree. He handles the fieldwork.

EIGHTH ORDER OF BUSINESS

Approval of Check Register

Mr. Perry stated included in your agenda package is the check register. It totals \$56,466.06.

On MOTION by Mr. Leek seconded by Mr. Bertsch with all in favor the Check Register was approved.

NINTH ORDER OF BUSINESS

Financial Statements as of February 29, 2011

Mr. Perry stated included in your agenda package are the financial statements as of February 29, 2011.

Mr. Johnson stated I don't think that I have seen or heard of the IRS pushing the issue but it is one of those things that when you go the bond lawyers conferences they are talking about and we may start to see when anytime a municipal issues these kind of tax exempt obligations, the officers that are signing on behalf of the entity issue an arbitrage certificate that says we have a reasonable expectation of spending the money within three years and a reasonable expectation of getting repaid. It is conceivable and the buzz is out in the municipal finance world that you could see the service taking a harder line and saying if you have been sitting on that money for several years now and you haven't spent it and you are in default then perhaps the thing to do is to collapse the construction of funds. It may not be driven by the bondholders. It may also be an issue down the road driven by the Federal Government.

Mr. Leek asked if we got a notice like that would we have the option of going ahead and building the road or would we have to collapse it?

Mr. Johnson responded it is hard to say. I haven't really seen anyone forced into that situation. There is a third option, which is you simply reissue the bonds but to the extent that

you are in default, it is hard to do that because you won't be able to make the required representations.

Mr. Welsh asked but it will hurt our credit rating for borrowing in the future?

Mr. Johnson responded it is certainly conceivable but it is something that has to be disclosed if we were to go back to the bond market down the road. It would have to be disclosed that we had been in default for some period of time. The large institutional investors, who make up the bulk of the buyers for the bonds are in the know. I think that this District would probably not receive the kind of black eye than a District that is still well within Developer control would receive when that same Developer goes back. In that sense, I am not sure that we would see the kind of punitive interest rate that a District, who is still controlled by a Developer who has been repeatedly delinquent would see. As development picks up in the future and these lots start to close then your credit rating or your bond ability improves because the more property that has rooftops on it and the more diverse ownership you have throughout the community, the less centralization within one or two builders, the more likely you are to get rated by Standard & Poor's and achieve a much lower rate. Once we work out of this, there will be future opportunities to refinance those bonds at a lower interest rate, particularly your 1999 bonds.

Mr. Perry stated currently we have collected approximately \$500,000 off the tax roll. We anticipate collecting between April and July about \$200,000 more. They are delinquent after March 31st. They will usually start the tax certificate sales in May and they will run a series of them.

Mr. Leek asked so we should see some cash coming in?

Mr. Perry responded correct. We will probably have another slug at the end of this month and there will be very minor ones that will come in until the sales.

TENTH ORDER OF BUSINESS

**Next Scheduled Meeting – 5/23/12 at 1:00 p.m.
@ Holiday Inn (Ballroom B)**

Mr. Perry stated the next scheduled meeting is May 23, 2012 at 1:00 p.m.

ELEVENTH ORDER OF BUSINESS

Adjournment

On MOTION by Mr. Bertsch seconded by Mr. Welsh with all in favor the Meeting was adjourned.



Secretary / Assistant Secretary



Chairman / Vice Chairman