

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held Wednesday, April 27, 2011 at 1:00 p.m. at the Holiday Inn Daytona Beach LPGA Blvd., Board Room, 137 Automall Circle, Daytona Beach, Florida 32124.

Present and constituting a quorum were:

Robert Welsh	Chairman
John Zemball	Supervisor
John McCarthy	Supervisor
Tom Leek	Supervisor

Also present were:

Jim Perry	District Manager
Lynn Small	District Counsel
Kurt von der Osten	Field Operations Manager
Jamie Rountree	Rountree
Edwards Williams	Rountree

FIRST ORDER OF BUSINESS

Roll Call

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

SECOND ORDER OF BUSINESS

Approval of the Minutes of the March 23, 2011 Meeting

Mr. Perry stated included in your agenda package is a copy of the minutes of the March 23, 2011 meeting. Are there any additions, corrections or deletions?

On MOTION by Mr. McCarthy seconded by Mr. Leek with all in favor the Minutes of the March 23, 2011 Meeting were approved as amended.
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THIRD ORDER OF BUSINESS

Consideration of Approval Letter from CH2M Hill to Repair the Retaining Wall

Mr. Perry stated included in your agenda package is a copy of the approval letter dated March 10, 2011.

Ms. Small stated I reviewed it with Kurt. These are pretty standard.

Mr. von der Osten stated I forwarded it on to DR Horton.

Ms. Small stated I have not heard anything back from them.

On MOTION by Mr. Leek seconded by Mr. McCarthy with all in favor the Approval Letter from CH2M Hill to Repair the Retaining Wall was approved.

FOURTH ORDER OF BUSINESS Other Business

There being none, the next item followed.

FIFTH ORDER OF BUSINESS Staff Reports

A. Attorney

1. Update on ERP Permit for Retaining Wall

Ms. Small stated Kurt and I have been in communication regarding the transfer and the addition of the District as a co-operational entity to be able to maintain the retaining wall that was recently repaired by DR Horton. As Kurt and I suspected they were actually just going to replace Renar with the District. I got a hold of Steve at Parker Mychenberg and he is going to be working with Renar to get that changed. Apparently there was just a misunderstanding. I sent him a copy of the agreement, which explicitly states that we are only going to be maintaining the retaining wall and not any of the stormwater structures.

2. Update on Request to FDOT of I-95 Interchange Maintenance Levels

Ms. Small stated I received some proposed revisions from Kurt and Jamie. They did a lot of good work preparing an exhibit and a sketch for you guys. I started contacting a landscape architect at FDOT but before I start to make a proposal and spend District money on this I wanted to get in touch with Indigo Development, so I sent them the proposal. Understand that these are proposed revisions that we can adjust them because I don't believe the board would want to interfere with the cost share agreement that we have with them. I am going to get their blessing first before moving forward.

Mr. McCarthy stated in the past I remember Jamie mentioned something about letters made of individual stones.

Mr. Rountree stated it is rock and the inside it stencils.

Mr. McCarthy asked and they fall apart?

Mr. Rountree responded the stencils are in pretty good shape. I don't recall making any repairs to the stencils in the last four or five years but that rock over time you lose a certain amount of it, so it needs to be replenished.

Mr. McCarthy asked would it be cost effective to go ahead and make that a solid concrete letter?

Mr. Rountree responded it is probably a DOT issue. I don't know if they would let us do it with the amount of angle. Also, anything in concrete on Florida's soil is subject to crack.

Ms. Small stated assuming we can come to terms on proposed revisions with Indigo Development and I can bring that up with the landscape architect at FDOT to see if he has any suggestions.

Mr. Leek stated I see just glancing at the sketch that we are suggesting to remove the fountain. Won't that increase the maintenance in the lakes?

Mr. von der Osten responded the lake will be more vibrant and oxygenated with the fountain going.

Ms. Small stated Jim and I have been discussing the CoastOak situation and trying to push the trustee and trustee's counsel to move towards foreclosure. Jonathan and I have a conference call set up with trustee's counsel later this week, so we anticipate at least getting feedback on the status of the CoastOak Group negotiations and also the trustee's willingness to give some funds to the District to offset the shortfall on the O&M. I will send an email to all the board members once we get more feedback from trustee's counsel.

B. Engineer

There being none, the next item followed.

C. Manager – Update on CoastOak Group Non-Payment of Assessments

Mr. Perry stated I copied on the correspondence with CoastOak Group. They had indicated that they were not going to pay any assessments on any properties they own and they also were not going to be paying any property taxes on any properties that they own at this time. We need to push the trustee and the bondholders forward and find out exactly where they are going. The people that have been working on the report haven't indicated to me that it is done. We are going to ask the bondholder and/or their representative for some type of funding for this current year and next year. If you recall there is an excess of \$7M sitting in the construction

account earning interest. It is really putting a hardship on the District with the nonpayment of the O&M related to those lands that CoastOak has, which eventually we expect the bondholders will end up with those lands. It is in their best interest to keep the District as viable as possible, so they can market those lands themselves. Depending on where they are going, we might have some recommendations at next month's meeting for this board to do. I expect that they will be fairly cooperative. In regards with CoastOak, I have not had any communications with them at all. I have asked if they were going to quit claim deed over their lands and there was no response on that, so if you recall, they had made on the record to us before that if they were to walk from the project they would turn over the lands. The parcels that they did not make any payment on from last year, the debt has been accelerated. If someone were to buy that parcel, then they would have to bring those assessments forward. The parcels that they made part of the payments on last year we haven't accelerated the debt but we do show the O&M that is due and the special assessment, along with interest and penalties. It just gives us further protection if they were to try and sell a parcel to someone and for some reason they weren't cognizant of the District. The other thing is we had a request from Consolidated Tomoka that was looking at purchasing a portion of one of the parcels. They wanted to carve out about eight acres of a parcel and purchase that and wanted to know if there were any issues related to the debt on the whole parcel. Counsel and staff's position is that you can't break that up. If you want to buy the parcel you can buy the whole parcel.

Ms. Small stated our position is that you can't carve it out because we have already deemed those lots and parcels accelerated and delinquent, so at this point we are not going to step back and allow someone to purchase those parcels because we will probably foreclose on them given trustee's cooperation with the District. Obviously, the bondholders can make a decision to let them buy it at least they are viable buyer and they will pay their assessments and then we would foreclose on the other lots. Staff's position from this point is you can't just cherry pick the ones that are viable and pay them up. The notice of delinquent assessments that we have recorded was again just a safety measure. The special assessment lien that is on this property is valid and still remains but the notice of special assessments has been recorded nine years ago, so we just want something that is very recent in the public records that if CoastOak gets sold a property that the first name that would pop up would be this notice of special assessment delinquency.

Mr. Welsh asked but isn't that increasing the cost of that land as each year goes by?

Mr. Zemball responded it is.

Ms. Small stated there is a chance that the tax certificates could sell for the County. Obviously, if the District were to foreclose then we would extinguish that special assessment. There are ways around this but we have to get the trustee to cooperate first.

Mr. Welsh asked and the next quarter has to come out of our reserve?

Mr. Perry responded a portion of the payment for the debt service and interest payment on May 1st will have to come out of the reserve.

Mr. Welsh asked how much will that be?

Mr. Perry responded the 99A's are fine. The 99C's are short about \$80,000, so they will tap the reserve for \$80,000. The 2005 ones is about \$200,000 short and they will tap the reserve for that.

Mr. Zemball asked so at what point does the land become not even worth the back assessments and taxes?

Mr. Perry responded if you take CoastOak's position right now the land is worthless because the taxes on the land and the assessments on the land are not worth what the land is worth economically. The O&M is probably not going to change for those parcels but as a bondholder if they say we get the land and we are going to have to take \$.50 on the \$1.00 for it then maybe someone will buy it, so now your land is viable but that is a decision the bondholders are going to make when they get the land. We haven't had any deal where the bondholders have just walked away completely that I am aware of.

Ms. Small stated it boils down to a business decision. When the bondholders purchased these bonds that is the risk that they take. It is going to be a business decision on their end of whether or not they want to restructure the debt or foreclose on the debt.

Mr. Perry stated there is also \$7M of construction funds sitting there.

Mr. Leek asked what do we think the timeline is on the bondholders taking action or making a decision?

Ms. Small responded I don't want to speak for trustee's counsel but as far as finding a route, that hasn't been difficult. It is the route itself that usually takes pretty long. If CoastOak is just willing to give us a deed in lieu of foreclosure that happens very quickly. Assuming

CoastOak doesn't defend the foreclosure I have done it as quick as six months. The average foreclosure right now is taking us about a year or a year and a half.

Mr. Leek asked what is the timeline that you expect the bondholders to make a decision on what route they want to go?

Ms. Small responded I think we can push them to make a decision before the next meeting and that is assuming they will have the report back and assuming they can get CoastOak to talk. I have talked with trustee's counsel briefly and there have been back and forth conversations about it. I just think CoastOak at this point is trying to get someone to purchase that property. If CoastOak could sell that property to someone then the bondholders would probably prefer that because it means less work for them. Obviously we are going on almost a year now where this delinquency has been in place and the District is struggling, so we are going to do our best to push them to get a decision made. If I don't have a clear route for you by next month, I will at least have some feedback and I will trustee's counsel to call into that meeting to get some explanation.

Mr. Leek stated to me, what CoastOak has done here is close to fraud. I think there should be penalty to them than just taking a big loss on this land.

D. Field Operations Manager

Mr. von der Osten stated I did accompany CH2M Hill last week on a site inspection. They come through annually as required by the bond indenture. They also reviewed the operating budget to make sure the money is there for operations and insurance and those matters. That report should be issued by the next meeting. Fountain number four's motor was replaced under warranty. It was approximately 13 months old. After going and back and forth a few times they agreed that it was close enough to the one year period to cover the costs. Lake number 3 and 9 is a golf course City lake and we have had a sink hole there for several months. Last week the City did attempt to repair it and they put sod over the top. We can see how long that will hold up. The fountain at the southwest quadrant of the I95 interchange went down briefly. It wasn't the fountain itself, it was the electrical control panel had melted. It was a \$600 repair for that panel. I got a quote on painting the monuments at the entrance of Tournament Drive. It was \$750 for the caulking and painting of the both, the sides and the center monument. I have not authorized any work to go forward on that. I wanted approval from the board first. I also have one for \$820.

Mr. Leek stated I would suggest you do that.

Mr. von der Osten stated once we get into financials you will see on landscape maintenance we are running over budget and the primary reason is irrigation repairs.

Mr. Leek stated we have talked a number of times about a phased approach for replacing irrigation with something better. Where are we on that?

Mr. von der Osten responded just reviewing the invoices a large portion of it is not the timers we are talking about changing out. It is rotors, breaks and things like that, that would not be upgraded if we change out the timers.

Mr. Rountree stated a lot of it is wear and tear items. If you look at the LPGA Champions Drive entrance, that is now 16 or 17 years old. That timer is one of the few that is actually electronic. As soon as you come 100 yards in, you are now on battery operated controls. The average valve out there is an inch and a half valve. The valve itself is like \$150 repair just for the part. We have power panels that the up-lighting is powered by and I would say that if we chose a breaking point to break it off into sections probably the best one to go to because you can have one controller and you have two areas. At any given time we can start to price that out. The beauty of the electrical power for the irrigation is it is all low voltage. It has a transformer that steps it down from 110 to 24, so it doesn't use a lot of power. We have also looked at the idea of going back to a solar powered type option. It would be more units because you would do it at every valve versus being able to take one power station and maybe connect to as many as four of those valves.

Mr. Leek stated I would just like to have a feel for what would a plan be.

Mr. von der Osten stated we could put together a phasing plan. I think even if you change out the controllers you are still piecemealing the wear and tear parts. We will start formulating the plan and bring something back to the next meeting. On the conservation easements in the forest area, I have a forestry person stopping by today to look at the areas. He is going to contact me after he visits and let me know if we really need to assemble a forestry management plan. A representative of Fish & Wildlife said maybe if we just cut the palmettos down and keep it at a brush level we would be okay. The County Forester says that is going to be a difficult and near impossible area to burn. The County and the Division of Forestry does have certain mitigation programs, where if there are homes nearby they will come in and do the burn. In the south we will have to roller chop it.

SIXTH ORDER OF BUSINESS

Supervisor's Request and Audience Comments

Mr. Leek asked has the roadwork ahead sign been taken down yet?

Mr. von der Osten responded no. Joe Revaras just told me last week they are not finished. They had to put a little more pipe in and they will leave their sign up until the job is complete. We are not happy with some of his landscape repairs out front. I talked to him about correcting a few of those locations and he said they were not finished and they were coming back to lay some more pipe.

Mr. Leek stated I was happy to see that the port-a-potty was moved from the common area. One thing I noticed on the way here is there is a Tropical Shrub and Hedge Care spray truck parked in Lions Paw Grand and he is fishing.

Mr. McCarthy asked what is the proper enforcement for this?

Ms. Small responded we don't have the authority to remove trespassers.

Mr. McCarthy asked couldn't you get a permit and put it on that sign just like if you illegally park and they tow your car?

Mr. Leek responded you have a little bit of a problem because some of them are City lakes and some of them are golf course lakes.

Ms. Small stated just a quick update; the bondholders just received the report from Hines and are asking for a conference call to discuss it.

Mr. von der Osten asked who do they share that report with?

Ms. Small responded you can probably ask for it. Currently, it is probably not a public record.

Mr. Perry stated we have one District that was more concerned about the fishing in their ponds than you are but they ended up hiring off duty Florida Wildlife officers. They had them out there Friday evenings and Saturdays and Sundays and they were out there for about a month. It took care of the problem for about four months and then the problem came back again.

Mr. Rountree stated Mr. Ed Williams has been brought on board with Team Rountree as the new chief operating officer.

SEVENTH ORDER OF BUSINESS

Approval of Check Register

Mr. Perry stated included in your agenda package is a check register. It totals \$81,504.95.

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

EIGHTH ORDER OF BUSINESS **Financial Statements as of March 31, 2011**

Mr. Perry stated included in your agenda package are the financial statements as of March 31, 2011. In regards to the administrative expenditures, there is still one item that needs to be adjusted out. There is a lot of dollars related to District Counsel related to CoastOak Group that we probably need to bill to the bondholders.

Ms. Small stated I expect that my bills will taper off in the latter part of the fiscal year.

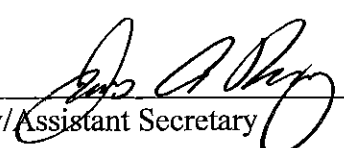
Mr. Perry stated in regards to field operations and operating expenses community wide I think the biggest variance was landscape maintenance. In regards to site manager, there needs to be an adjustment to that. There is a variance there but most of that is related to office expense, so it has not been coded correctly. There is a little over \$7.1M that the District has in the three bond series. The bulk of it is related to the 2005 series bonds. In regards to the direct bills, the properties related with Indigo were paid in full. We expect to be receiving funds related to tax certificate sales. Those sales will start to occur probably next week.

NINTH ORDER OF BUSINESS **Next Scheduled Meeting – 5/25/11 at 1:00 p.m. @ Holiday Inn**

Mr. Perry stated the next scheduled meeting is on May 25, 2011 at 1:00 p.m. at this location.

TENTH ORDER OF BUSINESS **Adjournment**

On MOTION by Mr. McCarthy seconded by Mr. Zemball with all in favor the meeting was adjourned.


Secretary/Assistant Secretary


Chairperson/Vice Chairman