

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held Wednesday, February 23, 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
Ed Bertsch	Vice 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

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 January 26, 2011 Meeting

Mr. Perry stated included in your agenda package is a copy of the minutes of the January 26, 2011 meeting. Are there any additions, corrections or deletions?

Mr. Leek responded on page 10 in the third paragraph the second line should say, "It is going to cost \$7M or more in the future." Then further down on that page in the third to last paragraph the word "there" should be spelled "their."

On MOTION by Mr. McCarthy seconded by Mr. Zemball with all in favor the Minutes of the January 26, 2011 Meeting were approved as amended.

THIRD ORDER OF BUSINESS**2005 Bonds Future Construction**

Mr. von der Osten stated I am going to briefly discuss with the Board some of the improvements under the Series 2005 Bonds and what has been completed and what has not been completed. I have brought copies of the engineering report from the Series 2005 Bond and also, there is an amendment number one to the engineering report. I also included an aerial. If you look at the aerial in the south assessment area, the royal blue lines are areas where construction has been complete on CDD improvements. The white lines are the 2005 series improvement that has not been completed. The pale orange lines are future CDD improvements, not covered by the Series 2005 Bonds. The reddish color is the proposed route for the Dunn Avenue Extension and that is a Developer funded road.

Mr. Leek asked and the white road that is the proposed one actually connects with Champions Drive just north of the maintenance area?

Mr. von der Osten responded it is exactly where the maintenance driveway is. It is a tricky intersection because you are dealing with major power lines.

Mr. Leek stated it seems like a goofy kind of loop in Dunn Avenue too.

Mr. von der Osten you are really constrained if you come across south of the power lines and drop down between the golf course and the power lines. Then you start to make your turn westward between two large wetland pockets. Their original scenario was to come through by the water treatment plant.

Mr. Leek asked so that \$7M is to build the white section?

Mr. von der Osten responded correct. In 2007 there was an amendment that allowed one additional construction project to be included under the Series 2005 Bonds. What you end up having is you increase the amount of improvements authorized under the Series 2005 Bonds; however, the funding is not increased. You still have the same dollars to work with. The roads BB and DD1 were never constructed. At the time the logic was that the residential market was slowing down and there was not a strong market for residential and the bond funds might be better used to develop a commercial portion of the property versus a residential portion. A portion of that \$7M still sitting in the construction would be used for this entrance or would be allocated to construct the road here, which ties into this driveway. The water supply for the City crosses this canal, so to go across here with this road it requires some upgrading of the reuse system. There was \$6.9M and the Developer was going to pick up \$1.1M because there were

certain expenses along this road that were not authorized to be covered by the bonds. The way the Series 2005 Bonds are written you are not allowed to fund reclaimed water/reuse water lines in your infrastructure but you are required through your Developer agreement with the City to install reuse systems. I believe that is probably an oversight when the engineers report was written.

Mr. Leek asked does the reclaim run through that canal all the way across to where Indigo Golf Course is?

Mr. von der Osten responded I don't believe it does yet. I believe a portion that the Developer is picking up here runs to the power lines. The Developer was going to extend it from the power lines to east of the new road, so in the future it would already be across the road for tying it in.

Mr. Leek asked can you tell how many developable lots are in that section that would be covered by that road?

Mr. von der Osten responded it is probably just over 300.

Mr. Leek asked so when they added that project knowing it would not increase the funding what was the thought process on how you do both?

Mr. von der Osten responded the Developer would have to do the rest.

Mr. Perry stated or issue another series of bonds because the Series 2005 always anticipated issuing another set of bonds. It is just to give them some flexibility if they wanted to divert those funds to that portion of that commercial area.

Mr. von der Osten stated none of the improvements are new to the overall plan. They were always there.

Mr. Zemball asked so are we thinking we should spend money and construct that road and make that property more marketable for the Developer?

Mr. von der Osten responded the issue with the road is the Developer contribution required. It was close to \$1M for the reuse lines and some other expenses. It does require some type of investment. It cannot be funded 100%. I believe you possible do it on the commercial road.

FOURTH ORDER OF BUSINESS Other Business

There being none, the next item followed.

FIFTH ORDER OF BUSINESS**Staff Reports****A. Attorney**

Ms. Small stated I did get a call from Connie Gardner at Parker Michenburg. She was calling on behalf of Renar about the transfer of the ERP permit. I understand that process has started. I informed her that the District Engineer will have to sign off on it and the permit signee will be Mr. Welsh, so those two things are in place. Also, Jim and I are working on preparing a notice of delinquent and unpaid special assessments that are on the CoastOak properties. I know at the last meeting the board expressed concern that if the property was going to keep changing hands we wanted to just make sure that the lien would survive and under statute it does survive but just to make sure we would record an unpaid lien. It doesn't cost the District a lot of money. I am having my paralegal do most of the work. We will probably get it recorded next week.

B. Engineer

There being none, the next item followed.

C. Manager

Mr. Perry stated this hotel has changed hands. The upper management has all changed. I talked with them prior to this meeting and they are happy to have us here. We will continue to meet here in the future. They will be giving to me all of their contact information.

Mr. Leek asked are the new owners local?

Mr. Perry responded he didn't say. The new general manager and operations manager are local. They have been long time residents of the area.

Mr. Leek asked are there more Holiday Inn's than just this one involved?

Mr. Perry responded I think there were a number of them on the beach side that were packaged with this one. The second item I have is we were contacted last week by Hines Company. They have been engaged by the bondholders to do a review of the holdings of CoastOak Group, so we have started to provide them with documents, which include the delinquent bills, the assessments on the land, the assessment rolls for the District and some other things. Hines Company is a national company but this effort is being done by a group out of Jacksonville. I have worked with them before and they do understand Districts. They told me

they have a short turn around period for the bondholders. They have to provide them a report within 60 days. They are operating out of the Palencia community.

Mr. Leek asked what is the purpose of the review?

Mr. Perry responded they have been engaged by the bondholders to evaluate the holdings and to give the bondholders an independent view of the properties, the entitlements and what they are worth. I will tell you that they could possibly be buyers. They have purchased other properties in the past and they are active in that, but that is not what they have been engaged to do. They have done this for a number of other properties in the State. I will keep you apprised of any information. I have made contact with Intercoastal Bank, that is a local bank that would be interested in possibly financing the lighting effort if we were to undertake that. Larry McDermott used to be with Suntrust and he is heading up that effort for governmental entities, so I will be getting with him.

Mr. Leek asked where is Intercoastal Bank?

Mr. Perry responded their headquarters are in Palm Coast and I believe they just opened up one in Volusia County. He said he is familiar with Districts and has done work with them before.

Mr. Leek asked has there been any more contact with Coastoak?

Mr. Perry responded no, not really.

Ms. Small stated I received a call from their counsel yesterday. They wanted to discuss our discussion that we had at our last meeting about using construction fund monies, so I think Jim and Jonathan and I are going to set up a conference call with their counsel next week.

Mr. Leek stated they just want to make sure we don't spend that money probably to build the road. They want to use that to buy down the bonds. They want us to forgive that.

Mr. Perry stated they contacted us maybe three or four weeks ago for something minor. I know we have provided them with some additional documents but I haven't had any real conversations with them.

D. Field Operations Manager

Mr. von der Osten stated I think everyone is up to speed on the Opal Hill retaining wall. We met onsite for a preconstruction meeting last week. The engineer for CH2M Hill was there. We reviewed the proposal. CH2M Hill has issued a letter, which has been distributed at the

beginning of the meeting agreeing to a method of repair. The start date is tentatively scheduled for this coming Monday. They have dropped equipment onsite. If weather holds, it should be complete within a week. On Champions Drive, where the City has the reuse project underway. Just when you thought it was about complete, they would start making a larger mess. They have committed to restoring all the sod and irrigation. On lake number three, I met with the City of Daytona Beach, where some of the erosion and the collapsing of the fabric form is occurring. The City representative that is responsible for this stated the City never touches a lake in LPGA. I said I know that has been the history but if you look at the plat you will see the City owns this property. He was going back and he is having the City Surveyor analyze the lakes in question to confirm they are indeed City property. He was not under the impression that they were. I know they are. Renar is doing repairs on all their lakes. Jamie is beginning an aggressive fertilizer this Friday. The palms on Tournament look great. I met onsite with a representative from Fish and Wildlife. We walked all the conversation easements. He is interested in a tortoise habitat. Typically in these situations you develop a forestry management plan. It is going to take years to convert it into a tortoise habitat. A forestry management person would give you the plan and then implement it over so many years. These areas have been cleared and burned in the past; however, they will likely require some kind of mechanical method prior to a burn. If you notice across from Promenade there are tall pines trees and then behind them you will see areas that have been cleared and burned before. They are acceptable, even though that area is in an easement. I have spoken with the Department of Forestry and they do offer some burning and clearing services at a very low or no cost. My goal is to meet with them and get a plan.

Mr. Welsh asked Tomoka Consolidated originally owned the property, correct?

Mr. von der Osten responded yes.

Mr. Welsh asked how long had they owned the property prior to giving it to us?

Mr. von der Osten responded eight years.

Mr. Welsh asked did they do this?

Mr. von der Osten responded there was evidence of it.

Mr. Welsh asked did they give us a cost of what it cost them?

Mr. von der Osten responded no.

Mr. Welsh asked what I don't understand if we are building there and there is going to be people there then where are the tortoise going to go?

Mr. McCarthy responded in that habitat. The residents within LPGA area in Indigo CDD are the ones who are going to be paying for this conservation area. There will be no outside help, except what the State might contribute.

Mr. Welsh asked and that would come out of our reserves, correct?

Mr. Perry responded yes, but like Kurt said he could probably do it over a three to five year period.

Mr. Zemball asked is it every three or five years after that?

Mr. von der Osten responded it was three years according to the habitat management plan. It depends on how you maintain it. By the time we come back to the next meeting we will have met with the forestry representative.

SIXTH ORDER OF BUSINESS

Supervisor's Request and Audience Comments

Mr. Welsh asked how bad is our infrastructure for our watering?

Mr. Rountree responded the infrastructure in and of itself was put in, in different stages, so the north entrance would have the most age on it because that was installed first. Where we are starting to see increased repairs is in the valve banks and the heads.

Mr. Welsh asked what has to be done to take care of that?

Mr. Rountree responded at some point we need to upgrade the valves and those sorts of things. We have some valves that were replaced last year and we have some valves that are still the original valves and we are still on a battery-operated system. It would be nice to do away with the battery-operated system. When the original system was installed we didn't have power along Champions Drive and Tournament Drive. When the lighting came in it was 2001. The original system that was put in was solar and unfortunately the company that made all the parts sold out and then that company went bankrupt, so we could not longer get parts and that is why we stopped with the solar and converted to the battery. The solar works fine.

Mr. Welsh stated I just wonder if it would be better for us to not do the lights right away and do something with the infrastructure because that seems to be in bad shape as compared to the lighting.

Mr. von der Osten stated there are ant beds up around the lighting and it is a real battle because as the root bulbs and the mulch beds rise they would come up to the bottom of the light

fixture and they start coming into the lights. There is not enough underground wire to raise the lights.

Mr. Leek stated at one point we talked about replacing the irrigation system one section at a time. Maybe what we ought to look at is how much will we need to spend to get that process started. The City did not take out the detour sign yet as you are northbound on Champions Drive. Before we meet again we have the LPGA Futures Tournament. It is on March the 28th through April 3rd. Does the CDD ever do anything, like sponsor a hole for \$500 or anything else like that?

Mr. Perry responded they typically don't because once you start down that road you end up having to do it for any entity.

Mr. von der Osten stated I did have a phone call from Father Lopez. They were inquiring about sponsoring or coordinating a 5K run, which would go through the LPGA neighborhood. Since the streets are City owned I didn't believe the CDD would have much say in it.

Mr. Perry stated no. They wouldn't for this District.

Mr. Bertsch stated they have been working on the power lines off of Champions and they left a mess over there. Do you stay on top of that?

Mr. von der Osten responded I am in contact with them.

Mr. Leek stated it looks like they are going in and out of there pretty frequently still.

Mr. von der Osten stated I think it is almost something that should be sodded or mulched.

Mr. Bertsch stated they should broom sweep the road at least.

Mr. Leek asked do you know what happened where someone hit a tree south of the clubhouse?

Mr. von der Osten responded no. There are two trees that were hit, one in each direction.

SEVENTH ORDER OF BUSINESS

Approval of Check Register

Mr. Perry stated included in your agenda package is the check register that totals \$75,283.81.

<p>On MOTION by Mr. Leek seconded by Mr. McCarthy with all in favor the Check Register was approved.</p>
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EIGHTH ORDER OF BUSINESS

Financial Statements as of January 31, 2011

Mr. Perry stated included in your agenda package are the financial statements as of January 31, 2011. Some of the costs for District Counsel I think are going to be reimbursed through the bond funds. We have about a \$6,000 variance there that we will charge the bondholders back for those costs associated with Coastoak Group. In regards to the 1999A bonds, we have enough in the revenue account to make the May 1st payment, so that one will not have to tap the debt service reserve fund. The 1999C bonds we need approximately \$424,000 to make the payment on May 1st and right now we have \$331,000 in that account. I don't think we are going to make that payment with the nonpayment of Coastoak properties, so that debt service fund will be tapped again. Then the series 2005 bonds, we need \$640,000 to make that May 1st payment. Currently, we have \$433,000 in there and again; we will have to pay the balance with the debt service reserve funds. We will be starting to work on the budgets for this next year. At the April meeting we will have the preliminary budget and we will probably add an item in regards to irrigation system replacement. Once we get a handle on the burning of the conservation areas we will add an agenda item for that.

NINTH ORDER OF BUSINESS

Next Scheduled Meeting – 3/23/11 at 1:00 p.m. @ Holiday Inn

Mr. Perry stated the next scheduled meeting is on March 23, 2011 at 1:00 p.m. at this location.

TENTH ORDER OF BUSINESS

Adjournment

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


Secretary/Assistant Secretary


Chairperson/Vice Chairman