

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held Wednesday, May 25, 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 (by phone)
Ed Bertsch	Vice Chairman
John Zemball	Supervisor
John McCarthy	Supervisor
Tom Leek	Supervisor

Also present were:

Jim Perry	District Manager
Lynn Scruggs	District Counsel
Cheryl Stuart	Hopping Green & Sams
Kurt von der Osten	Field Operations Manager
Julio Aponte	Trustee's Counsel (by phone)
Jamie Rountree	Team Rountree
Gary Moothart	Indigo Development

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 April 27, 2011 Meeting

Mr. Perry stated included in your agenda package is a copy of the minutes of the April 27, 2011 meeting. Are there any additions, corrections or deletions?

Mr. Leek responded on page eight the word "a head" should be "ahead." In the net paragraph where I am saying there was a tropical shrub and hedge care that was the name of the company and should be capitalized.

Mr. von der Osten stated on page six the numbers "319" is supposed to be "3" and "19."

On MOTION by Mr. Leek seconded by Mr. Bertsch with all in favor the Minutes of the April 27, 2011 Meeting were approved as amended.

THIRD ORDER OF BUSINESS**Consideration of Resolution 2011-02
Approving the Proposed Budget for Fiscal
Year 2012 and Setting a Public Hearing Date
for Adoption**

Mr. Perry stated I provided the board with a proposed budget for this coming fiscal year. Last year Coastoak had obtained a number of the properties in the development from GMAC. Based upon that they paid assessments for O&M of approximately \$178,000 out of \$436,000. They have only made payments on a little less than 40% of their total land holdings and that resulted in a shortfall in 2010 of about \$258,000 in O&M. As a result of that when we went through the budget last year we made a provision for working capital of about \$379,000. At that time we assumed that Coastoak would pay at a minimum on those properties they paid on the prior year because they deemed those properties economically viable and they said other properties were not economically viable because of the debt on them, the related O&M and the property taxes. Last year we had increases to all the landowners in the District. For this fiscal year they have not made a payment at all. When you look at what we had grossed their assessments up because of those increases it was a little over \$700,000. What we have done in this budget is I have provided some sensitivity analysis, which you would still have cash shortfalls. I know Julio Aponte has been in discussions with Coastoak for over a year in regards to their properties and also commissioned a study to the underlining asset values related to these lands, so we have asked him to call in today to bring us up to date on where they are moving.

Mr. Aponte stated I am with Greenberg Traurig and we represent US Bank National Association, who acted as trustee for the various bond issues. Everything that was just stated by the District Manager is accurate. The bondholder and the trustee have been in communication with Coastoak. This CDD, as well as a number of other CDDs are in some sort of distress given the real estate market scenario. Typically the course of action that the bondholders take is when they begin to talk to someone who is having difficulties with a project as it relates to paying their capital assessments on the bonds we will typically commission a study from a development type outfit in order to figure out what this experts opinion is regarding the value of the property and regarding what is the most viable outlook of the property is going forward. That process takes awhile to go through. As recently as the last two weeks the report was completed and we did

have the opportunity to call the bondholders to discuss the report with the consultant and the consultant laid out a number of different types of scenarios in his opinion regarding what the bondholders should do going forward. As a result of that call the bondholders had several other questions and issues that they raised and now we are waiting for a response from the consultant regarding those questions and issues. We will probably have another call in the future. Then based on that they will probably make a decision as to how they would like to proceed and whether or not it makes sense to either take the property back by some kind of arrangement with the Developer or whether we need to pursue foreclosure and how we are going to deal with the gap in the O&M going forward. We have made progress but at this point I don't think the bondholders have made any decisions, although I expect that they will some time in the very near future.

Mr. Leek asked are those basically the three alternatives that they are considering?

Mr. Aponte responded yes. Typically there are three scenarios on these things.

Mr. Leek asked do you have a feel for how they are leaning and whether it is going to be possible to have some sort of amicable agreement with Coastoak?

Mr. Aponte responded I don't know how they are leaning. It is a lot easier when you only have one bond that is owned by one individual and one entity because only one person needs to make a decision, whereas when you have a group of two, three, four or five people then there might be some disagreements of what the course is going forward. Just going through the last five years of defaults in CDDs I can tell you that the best result is when you try to reach an amicable solution with the existing Developer.

Mr. Leek asked have you been in discussions with Coastoak directly?

Mr. Aponte responded yes. We have had numerous discussions with them and I have had numerous discussions with Mr. Carroll and he has been helpful in getting us the information that we have requested and the information that was requested by the consultant, as well. He has been helpful in calling us and keeping us in the loop as to what is going on.

Mr. Leek asked in light of their recent decision to not pay at all, do you think it would be probable that the bondholders would come to an agreement with them?

Mr. Aponte responded I think one of the reasons they have not paid anything is they are all in limbo. They haven't reached a compromise yet with the bondholders.

Mr. Leek asked are you aware that they are not really on property and that they haven't spent a nickel yet to do any improvements?

Mr. Aponte responded I am aware of that. I have had several conversations and correspondence with your counsel, Mr. Johnson and he has kept us apprised with the reality at the District level.

Mr. Leek asked so you think the time line is in a couple of weeks?

Mr. Aponte responded I think so. I think we are at the point where we have made a lot of progress in getting the information that we need. We have a very good consultant on the ground, who is providing us with additional information and giving us some good advice.

Mr. Leek stated the fact that this is somewhat different from many of the others, in that Coastoak has the financial resources to pay and a lot of times the other Developers have gone in default because they have gone broke or bankrupt. Does that add any additional twists or concerns to the negotiation?

Mr. Aponte responded I have to disagree with you on one thing and that is most of them do have the money to pay but they just choose not to because they feel that given the latest market economics that the value is just not there. Is it morally wrong? Yes. It is unfortunate. A lot of folks have walked away from a lot of obligations, where they made promises to people and that has been an unfortunate consequence of the economic reality that we are living in today.

Mr. Perry stated about a year ago Coastoak provided a presentation to the bondholders and central in that was the concept that if their lands were not viable then they would deed those lands over to the District or special purpose entity. They made those comments to this board on several occasions.

Mr. Aponte stated I am aware of that. Our latest conversations with Coastoak and Mr. Carroll I think they are still willing to deed a portion of the lands to the District or special purpose entity but I think there may be some disagreement with respect to certain pieces of property that they alluded to be willing to deed over. My expectation is within the next week to week and a half to two weeks the bondholders will have made some decisions having gone through the consultants report.

Mr. Perry stated I know you are very familiar with the budget process. We are going to ask the board to consider continuing this meeting. Do you believe you could have something or be able to call into the continued meeting, so we could develop a budget that would take into

consideration a level of effort that the bondholders would be willing to commit to for the District?

Mr. Aponte responded this morning I received some correspondence from Mr. Johnson regarding the District's budget and I promise I will take those materials and distribute them to the bondholders and I will explain to them where the District stands right now and I will try to get some guidance from them with respect to potentially funding some of those items going forward. To the extent I will get an answer on that for the meeting I will be more than happy to share it with you all.

Mr. Perry stated I think you were involved last year when there was the potential shortfall on the revenue account with the District, where the District itself had funded for a short period of time some funds, so the reserves weren't tapped and that was done in cooperation with the bondholders.

Mr. Aponte stated I will certainly remind them of that, as well.

Mr. Perry stated I will touch base with you prior to the continued meeting. I'd like to spend a little bit of time going through the budget. On page one in regards to the administrative expenses under additional working capital I have increased that \$400,000 for this year. The \$379,000 was based upon the concept that Coastoak Group would pay for the lands that they paid in the prior year and with them not paying anything at all that would be a minimum amount that we would be looking for, for an increase. The last page shows that we still have an operating cash shortfall for the year, even with that level of increase. All of the other items basically remain the same. We have changed a few items on maintenance expenses for I-95. I still need to sit down with Kurt on a couple. The biggest one was irrigation repairs and maintenance.

Mr. von der Osten stated we broke it out, so it would be more identifiable to the board members. In the years past it was inside the landscape maintenance line item. I thought it would be better to track as a separate line item.

Mr. Perry stated we do have the cost sharing, which is 50% to the District and 50% in regards to our contract, so the net is about \$54,000 to the District for the I-95 maintenance expenses. The following page is the maintenance expenses communitywide. There is a provision in there for the conservation easement maintenance, which is the gopher tortoise issue.

Mr. von der Osten stated I handed out an email from the consultant I am discussing this with and what I based this number on. He is in the process of putting a proposal together for us. I think we will come somewhere in the mid range of the numbers he is talking about. It is not a reoccurring number.

Mr. Perry stated we did have maintenance reserves in the prior year's budget and I just zeroed that out this year. On page three you will see this is our cash operating capital. At the beginning of this fiscal year we had \$659,000. Our shortfall this year of cash because of nonpayment gives us a balance of about \$284,000, which is the minimum amount that we can have to cash flow the District for the first three months of operation. There are no excess funds available at this point in time. After that are short narratives on most of the line items on the budget. Then we have the debt service funds for each of the bond issues and the first one is the 1999A bond issue. The 1999A bond issue is the one that we have not tapped the reserve for and we don't expect we will have to tap it on November 1st also. We have sufficient revenues collected on that bond issue. On the following page is the amortization schedule of the debt and that is reflected on the budget in regards to the interest payment on November 1st and the interest and principal payment on May 1st. The next page is the debt service funds for the 1999C bond and we had about \$67,000 in shortfall for the May 1st payment. We expect that we will still be short on that for the November 1st payment, so the reserve will have to be tapped for that one also. Then behind that is the amortization schedule for the interest payments and principal and interest on May 1st. After that is the series 2005 bond. We had to tap the reserve for approximately \$135,000 on May 1st and we will still be short on the November 1st payment of \$392,000. After that is the allocation of the assessments that we started several years back, which allocates them to the north and south platted and south raw lands. Based upon the level of working capital that we provided on page one this shows the assessments per unit. That schedule is consistent with what we have gone through in prior years. On the last page I have tried to do a sensitivity analysis of assessment increases. This shows the first column fiscal year 2011 allocation total. It shows the assessments per unit for platted and un-platted lands and then the affect of fiscal year 2012 allocation, which is what is reflective in this budget of \$779,000 of working capital. We are showing an approximate 21% increase for platted units and almost a 51% increase for non-platted units and we would still have a capital or cash shortfall of about \$255,000. That is a worse case scenario if Coastoak doesn't pay anything and the bondholders

don't pay anything. I did the allocation in increments of \$200,000 up until the last column, so you can see what happens as to what the increase would be for a unit landowner and what the cash shortfall would continue to be until you get to the last column and that is assuming the budget we have right here is what you would adopt. There are some options for the board to consider maybe on levels of service or other things the District may want to do.

Mr. Leek asked when you show the working capital \$779,000 for the first one and \$979,000, is that assuming there is going to be a \$200,000 larger shortfall in your second more than your first?

Mr. Perry responded no. What it is assuming is under the \$779,000 these assume the same shortfall throughout. We are not going to collect anything from Coastoak. Our budget expenditures remain the same at that \$995,000.

Mr. Leek stated I see the deficit getting smaller but what I don't understand is why the working capital number gets higher.

Mr. Perry stated look under the fiscal year 2012 allocation. You show \$739,000 being collected from landowners and that is the current landowners that are paying. Our expenditures based upon this budget are level, so it is \$995,000. If you allocated that \$779,000 to all the assessable lots within the community you are going to collect \$739,000 and you are still going to spend \$995,000. What I'm saying in the next column is we are going to increase the working capital that we are allocating and assessing to the landowners, so now the landowners in total are going to pay \$813,000 versus the \$739,000. We are decreasing our negative cash.

Mr. Welsh stated I understand the shortfall that we have and I understand the problems that we are having but we also have another problem. What would happen if that problem at the overpass becomes a CDD problem and we cannot use the existing maintenance people that we have now and we have to use outside people?

Mr. von der Osten responded it is a little early to say. There is a chance it is going to be an easy repair. We are moving slowly before we dig any further holes. We are being very careful not to let this escalate into a large matter.

Mr. Leek asked what are you talking about?

Mr. von der Osten responded we have a large irrigation break at the interchange, which is directly underneath an electrical junction box, which has shorted out a large portion of the electrical service at the interchange. It is a deep irrigation line. We need to figure out if it is

something we can have Rountree repair or if we need to bring in an underground contractor because of the complexity of it. Hopefully the break hasn't damaged any of the main service lines coming in there that would need to be replaced.

Mr. Leek asked when did the break happen?

Mr. von der Osten responded we discovered it last Friday. We started hand digging it Friday and discovered it was getting too deep to be hand dug. I have talked to DOT. I have Sunshine Locate to do all the locates because there is fiberoptic. We are treading cautiously to keep it under control cost wise.

Mr. Perry stated I will ask you to come back to the budget at the continued meeting. Hopefully we will have some resolution at that time from the bondholders.

Mr. Welsh asked do you think we could work with the vendors on this instead of going out for bids again?

Mr. Perry responded to a certain extent, yes. Our largest vendor is with the landscape contract. We had some discussion this year about putting it out to bid. It does expire in October. The intent was to go this summer and bid the landscaping and we would ask for consideration from the board to start that process.

Mr. Leek asked when did we do that last? Didn't we just do that?

Mr. Rountree responded we are in the last year of the current agreement.

Mr. Bertsch stated I personally feel that with all that is going on right now I don't think we should throw another wrench into this. Maybe we should extend the contract for another year.

Mr. Welsh stated I agree with that.

Mr. Leek asked is that an option in the contract?

Ms. Scruggs responded you are at the end of your extension.

Mr. Rountree stated it was a one year agreement with two annual extensions.

Ms. Scruggs stated this past renewal was the last one. I think the board is required to put it out again this year.

Mr. Leek asked is there any legal difficulty in extending it another year or six months?

Ms. Scruggs responded unfortunately with the level of maintenance that this contract is it is over the threshold, so public procurement encourages RFPs and we are at our limit of

renewals. The District would be required to bid this out. I think the biggest cost is advertising it. I don't really need to do much for the RFP. Kurt has been working on it.

On MOTION by Mr. McCarthy seconded by Mr. Leek with all in favor Authorize Staff to Issue a Landscape RFP was approved.

FOURTH ORDER OF BUSINESS Other Business

There being none, the next item followed.

FIFTH ORDER OF BUSINESS Staff Reports

A. Attorney

Ms. Scruggs stated as you know Jonathan Johnson has been assisting me in the hot topic matters. He is going to go on sabbatical for a few months starting in June and in the meantime Cheryl Stuart is going to be assisting me. She will be with us through the Coastoak journey. Stephen at Parker Mitchenburg is still working on the ERP permit issue. I think it is just an administrative issue that he has to work out with Renar. The agreement clearly states that we are added as a co-operational entity. We are not intending on maintaining all of their stormwater structures in that area. Also, we are trying to get a conference call set up with Gary Moothart and his colleagues to discuss whether or not we can adjust the maintenance levels and not disrupt the cost share agreement that we have with them. We want to stay with that cost share agreement but obviously, given our budget concerns we want to try to adjust the level of service there. We are going to have a conference call to discuss those issues and I think we can do it before the June 6th continued meeting, so we will have an idea of whether that number will change.

Mr. Zemball stated I have seen a copy of the original I-95 requirements of the maintenance. Is there anyway we could get a copy of that?

Ms. Scruggs responded sure. I will send you the beautification grant from FDOT that I have.

B. Engineer

There being none, the next item followed.

C. Manager – Report on the Number of Registered Voters (963)

Mr. Perry stated included in your agenda package is a letter from the supervisor of elections informing the District there are 963 registered voters within the District boundaries. The only item we might have for the 6th is the review of the audit for fiscal year 2010. If we get that in time we will get that on the agenda.

D. Field Operations Manager

Mr. von der Osten stated I handed out an email from a forestry consultant regarding our gopher tortoise areas. I have asked him to go ahead and put together a proposal from his company to go in and do some clearing and forestry work. The initial expense is much greater than the annual expense after the clearing is done as long as we bush hog it on an annual basis.

Mr. Leek asked do you think the \$25,000 is too high in the budget?

Mr. von der Osten responded I don't think it is too high. He has a range of \$8,000 to \$27,000 in there and until we actually get someone onsite we won't know.

Mr. Leek asked we had talked before about breaking this out over a period of three years, is that what we are going to do?

Mr. von der Osten responded when we receive this proposal back I can talk to him about that.

Mr. McCarthy asked any news on the DRI yet? I know the City passed the first reading.

Ms. Scruggs responded actually they can rescind without having completed all of their obligations under the rescission and that is why they are making that application to rescind. We have had conference calls and we have our shareholder at the firm look into that for us and I can have her call into the June 6th meeting to further explain that because she has a wealth of knowledge about the impact to the District of the rescission. I can say that the ability of the District to prevent the rescission is difficult. An application to rescind the DRI is rare in the land use world but once that process is started it is kind of lock step in that the City of Daytona Beach is going to approve the decision, except may be they haven't met all the application requirements, which is what happened the first time. I think they have met all the application requirements this time, which is why it passed at the May meeting.

Mr. McCarthy asked and June 1st is the public meeting?

Ms. Scruggs responded correct.

Mr. McCarthy asked can we say that all parties to the DRI have met their commitments all the way up?

Ms. Scruggs responded I can't answer that right now but I could look into that for you. I can get with her immediately after this meeting and get out an email blast to the board.

Mr. Leek stated it will be interesting to see what the impact really is.

Ms. Scruggs stated Jonathan and I did discuss potential impact to the District in regard to the bondholders needing to know that there may be a potential impact due to the rescission of the DRI.

Mr. Leek stated I noticed that the hedges got trimmed this week that were supposed to be seven and half feet high. They are pretty short. Under the homeowner association rules they are supposed to be seven and a half feet above the crest of the crest of the street.

Mr. Rountree stated the Jubilee HOA instructed us when we took over for them to go in and cut it at five feet. I will inform my staff to make sure that is changed to seven and a half feet. I will also inform Jubilee HOA that I have been instructed to do so.

Mr. Leek stated the objective is so when you drive in there you are not looking in their backyards.

Mr. Rountree stated Jubilee HOA has asked us and have been given a proposal to slowly start replacing those wax myrtles with the vibertim, so ultimately we will end up with a thicker healthier shrub. The downside is we will have to trim them more often but it will be a much better shrub wall once it is done.

SIXTH ORDER OF BUSINESS

Supervisor's Request and Audience Comments

Mr. Jim Cratty stated I would just like to say thank you for fixing the wall over at Tournament. You guys did a good job on it. You got the right people.

Mr. Jesse stated we are going to be buying the 151 single family home sites at Grand Champion. We met with Sheryl yesterday and we are trying to figure out the bond debt because we have been told from the current owners, that the bond debt on the single family is \$3,900 per lot but it is being assessed at \$7,864 per lot and that the assessment is based on \$15M to \$18M of bonds that have not been issued. We wanted to find out who we could talk to. We don't want to pay interest on money that hasn't even been issued.

Mr. Perry stated I can give you a copy of the methodology for the 2005 bond series.

Mr. Jesse asked if you pay off that \$3,900 per lot, would you still have to pay on the unissued debt?

Mr. Perry responded that is the way it is structured right now debt has been assigned.

Mr. Jesse asked what would it take to alleviate the possibility of new debt being issued?

Ms. Scruggs responded we will have to take a look at that.

Mr. Leek asked are you buying those lots from Coastoak?

Mr. Jesse responded yes.

Mr. Perry stated they are on the roll, so it doesn't change our issue here unfortunately.

They are platted.

Mr. Gary Moothart asked was the budget prepared in the same manner as it was in the prior year with allocation between platted and un-platted lots and allocation of administrative?

Mr. Perry responded correct.

Mr. Gary Moothart stated because of the Coastoak unpaid assessments being fully allocated to the administrative costs it puts an undo burden on an increase on the un-platted lots.

Mr. Leek asked will we have a couple workshops scheduled between now and the adoption of the budget to look at things like that?

Mr. Perry responded yes. Obviously, once you approve a budget and it does have an increase we will putting out mailed notices of the adoption date but I anticipate we will probably have one or two workshops in the interim.

Mr. McCarthy asked do you think we need to reserve a larger room for the August meeting?

Mr. Perry responded we already have. We have a room here that will hold about 60 chairs.

Mr. Bertsch asked are they charging us for the bigger room?

Mr. Perry responded I don't believe so.

SEVENTH ORDER OF BUSINESS

Approval of Check Register

Mr. Perry stated included in your agenda package is a check register. It totals \$71,597.63.

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

EIGHTH ORDER OF BUSINESS

Financial Statements as of April 30, 2011

Mr. Perry stated included in your agenda package are the financial statements as of April 30, 2011.


NINTH ORDER OF BUSINESS

Next Scheduled Meeting – 6/22/11 at 1:00 p.m. @ Holiday Inn

On MOTION by Mr. Leek seconded by Mr. Zemball with all in favor the Meeting was Continued to June 6, 2011 at 1:00 p.m. at the Holiday Inn Daytona Beach LPGA Boulevard, Board Room, 137 Automall Circle, Daytona Beach, Florida 32124.

TENTH ORDER OF BUSINESS

Adjournment


Secretary/Assistant Secretary


Chairperson/Vice Chairman