

MINUTES OF MEETING
INDIGO COMMUNITY DEVELOPMENT DISTRICT

A continued meeting of August 24, 2011 of the Board of Supervisors of the Indigo Community Development District was reconvened on Friday, September 9, 2011 at 1:00 p.m. at the Holiday Inn Daytona Beach LPGA Boulevard, Ballroom, 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

Also present were:

Jim Perry	District Manager
Lynn Scruggs	District Counsel (by phone)
Kurt von der Osten	Field Operations Manager
Jamie Rountree	Team Rountree
Residents	

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 June 6, 2011
Continued Meeting**

Mr. Perry stated there are copies of the minutes of the June 6, 2011 continued meeting. Are there any additions, corrections or deletions?

On MOTION by Mr. McCarthy seconded by Mr. Welsh with all in favor the Minutes of the June 6, 2011 Continued Meeting were approved.
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THIRD ORDER OF BUSINESS

**Public Hearing Imposing Special
Assessments and Certifying an Assessment
Roll, Consideration of Resolution 2011-04**

Mr. Perry stated this is a continued public hearing in regards to imposing special assessments and certifying an assessment roll. On August 24th the board adopted the budget that was presented to you. The notices that were mailed out on the trim had a notice of assessments of \$636.94 and based upon adjustments to the budget, the assessments were reduced to \$558.68. If you pay prior to November 30th, you will get the 4% discount, so the effective rate is about \$535. It is an increase of assessments from the prior year. The public hearing was opened. I have the certified assessment roll here that reflects the assessments that I just spoke about. The other thing that this roll has is the direct bills. If you recall in the past we had direct billed all the bulk landowners and that included Coastoak Group and also affiliated parties with Consolidated Tomoka. We will still direct bill the lands that have paid in the past. We are going to put on this roll all of the properties for Coastoak Group, other than one parcel. There was one parcel that we had some issues with the property appraiser on, so we will eliminate that from the roll but we are going to certify all of the 2012 operation and maintenance assessments for Coastoak on the roll. The 2011 assessments that are past due, along with some of the 2010 that are past due, we are not going to put on the roll, so that still gives us the ability if we want to foreclose on those parcels then we can foreclose fairly quickly. We expect that these will be on the tax certificate sales in the June timeframe.

Mr. Welsh asked the board gave approval for you to go ahead and foreclose on that resort property in the north, couldn't we also include the property in the south because it is more valuable?

Ms. Scruggs responded we are dealing with methodology issues in the south, so with respect to how the allocation of debt and O&M I think Jim and I would prefer if we move forward on the north parcel.

Mr. Perry stated during the process of ordering title work, in regards to the resort parcel, District Counsel is also going to get a quote for all of the parcels in the north to see what the cost of the title work would be for all four of those parcels versus that one. We think it would be more prudent to get it done for all four.

A resident stated last year you guys raised the assessments \$100 and this year you want to raise it another \$120. I see two issues with this. It is only a little bit of money, so that is why there are not more people here. I have an issue with the principal of someone being irresponsible, like Coastoak. You are already foreclosing on their property, so you are going to

get the property back to recoup your money, so why are you passing the costs along to homeowners?

Mr. Zemball responded we have to have the cash flow to operate and maintain the District for the time being and the property is not going to become liquid for some time.

A resident asked what are the other alternatives besides passing it on to homeowners?

Mr. Zemball responded lower our level of service throughout the neighborhood.

Mr. Perry stated the board has already done that. Over the last three years they have cut \$300,000 worth of expenditures, which reduced the level of maintenance on the landscaping. In this next budget the lighting in the neighborhoods are going to be reduced.

Mr. von der Osten stated over the last three years they have reduced the operations budget by almost a third, in regards to the financial difficulty. Right now, the reserves no longer exist to supplement the operating budget, so it is a matter of cutting services and cutting the appearance of the community or on a short term basis asking the residents to step up and protect your investment until they can resolve the problems with Coastoak.

A resident asked after you foreclose on their properties, are you going to credit the homeowners back for what they have paid?

Mr. Perry responded the board has been very clear over the last year and a half in dealing with Coastoak Group that if they recoup the O&M associated with those lands then we will fund the reserves, which we had in place before and then assessments will go down.

A resident asked are there any other majority landowners that you anticipate these same issues with?

Mr. Perry responded I can't predict the future. All I can tell you that other landowners that have undeveloped lands have paid their bills consistently. We don't have any indication that they will not in the future.

A resident stated the problem I have is no matter how much we don't agree with this, you have already made the decision and there is nothing we can do. Are there any other alternatives?

Mr. Welsh responded no.

Mr. Greg Gable stated I live in Master's Glen. Approximately a year and a half ago we had a fire and we had to be evacuated. There are three entrances in LPGA. I assume that the CDD controls the property that goes to the new Dunn Avenue overpass over 95. My concern is I was one of those residents that was evacuated and there is only three entrances to exit LPGA.

What is your thought process of securing what property we own as landowners? What are your plans to have other access or exit routes out of LPGA? I'm not here to dispute the increase. As a business owner myself I understand the tough economic situation. My concerns are more than what we are paying out. It is what you do with those funds that you have. Looking through your budget I see a lot of improvements, where you have reduced items but my concern is not only right now but if we have another wildfire and this time it comes from the west and it surrounds our community then there is no exit routes.

Mr. Welsh stated that Dunn Road is going to be extended through LPGA.

Mr. von der Osten stated yes, that is the master plan.

Mr. Greg Gable stated that may be some information that you could feed back to us.

On MOTION by Mr. Welsh seconded by Mr. Zemball with all in favor the Public Hearing Imposing Special Assessments and Certifying and Assessment Roll was closed.

On MOTION by Mr. Welsh seconded by Mr. Bertsch with all in favor Resolution 2011-04 Imposing Special Assessments and Certifying an Assessment Roll was approved.

FOURTH ORDER OF BUSINESS

Consideration of Proposals for Landscape & Irrigation Maintenance Services

Mr. Perry stated this was a hold over from the last meeting. There were two members of the Board that could not vote on this because of conflicts. The board had received proposals from four qualified landscape contractors. The rankings of the proposals accepted by the board were Team Rountree number one, ProScope number two, Austin Outdoor number three and Servello & Son number four. I would ask the board to approve entering into a contract with Team Rountree. District Counsel will draft the contract, which will be consistent with the contract that we have had in previous years.

Mr. Welsh asked is there an extension to that too?

Mr. Perry responded it is for the initial year and two additional renewals.

On MOTION by Mr. Welsh seconded by Mr. McCarthy with all in favor Authorization for Staff to Negotiate Contract with Team Rountree for Landscape & Irrigation Maintenance Services was approved.

FIFTH ORDER OF BUSINESS**Acceptance of the Audit for Fiscal Year 2010**

Mr. Perry stated a copy of the audit for fiscal year 2010 is in front of you. The most important thing is on page one. In the third paragraph it is referred to as a clean opinion. It basically says that the financials were presented fairly and conformity with generally accepted accounting principals. On page 24 is the report on internal control over financing reporting. There is a discussion in the last sentence that they did not identify any deficiencies in financial reporting that they consider to be material. They do have one item that they did consider to be a deficiency. Overall there was just one item that needs to be addressed. In regards to compliance and other matters, they show that there is no non compliance with general accepted audit standards. On page 26 and 27 you will see a number of items. Basically, we are in compliance. It doesn't show that there are any issues that the auditor had. The only thing they did note was in item number one under not maintaining fixed asset schedules. Their recommendation is the District is not maintaining its capital assets schedule throughout the course of the fiscal year and that we need to do that. There isn't a response right now by GMS. We have been working with them on that. Part of the issue is in regards to the assets of the District, primarily lands that were transferred to the District. If you recall, we changed auditors this last year and they went and looked at the fixed asset schedule and then asked for documentation on some things that were quite old and we couldn't find the documentation on them, so that is why they are saying that in there. It doesn't significantly impact the audit.

On MOTION by Mr. Bertsch seconded by Mr. Zemball with all in favor the Audit for Fiscal Year 2010 was accepted in substantial form.

SIXTH ORDER OF BUSINESS**Acceptance of the Audit Engagement Letter from Grau & Associates to Perform the Audit for Fiscal Year 2011 and Fiscal Year 2012**

Mr. Perry stated in front of you is a copy of the audit engagement letter from Grau & Associates. I would ask the board to accept the engagement letter in substantial form. There is one paragraph we want to put in that letter to them. The statute has changed this last year and it requires the audits to be done within nine months, which means by June 30th. We want to make sure they comply with that.

On MOTION by Mr. Welsh seconded by Mr. McCarthy with all in favor the Audit Engagement Letter from Grau & Associates to Perform the Audit for Fiscal Year 2011 and Fiscal Year 2012 was accepted in substantial form.

SEVENTH ORDER OF BUSINESS Other Business

There being none, the next item followed.

EIGHTH ORDER OF BUSINESS Staff Reports

A. Attorney

Ms. Scruggs stated after the last meeting the board authorized staff to move forward with the foreclosure of the northwest 21 resort parcel. We have not received a definitive answer from the bondholders; however, I can report that we did speak to them. They agreed that the northwest 21 resort parcel is a valuable piece of land. It did sound very promising that they would go forward in cooperation with us to foreclose on the northwest 21 parcel. I just haven't received written word yet.

Mr. Zemball asked we hold the first rights to the property, so would we be foreclosing?

Ms. Scruggs responded the District has two liens on the property. There is an O&M assessment lien that is coequal with municipal and County taxes and then you also have a debt assessment lien. The debt assessment lien is largely held by the bondholders.

Mr. Zemball asked would the property be owned by two entities or would the bondholders hold that property?

Ms. Scruggs responded I think you are jumping ahead a little but if the District pursued the foreclosure, it would be pursued in the District's name.

On MOTION by Mr. Welsh seconded by Mr. Bertsch with all in favor Authorize Foreclosure of Additional Parcels in the North on any Coast oak Parcels or any of their Affiliates that have not paid their Past Due Assessments was approved.

B. Engineer

There being none, the next item followed.

C. Manager

Mr. Perry stated we have received an invoice from the trustee, in regards to legal expenses and I believe some of the expenses are related to the studies that have been done for the bondholders. The invoice was approximately \$40,000. Lynn has done some preliminary

research and per the indenture with the bonds, we would be required to pay those costs to the trustee. Those costs would come out of the construction funds account. We have asked for supporting detail of that because all I have right now is a one page invoice. It appears that our meeting on September 28th just being a few weeks away might not be necessary. The only thing that I see that could be an issue would be these trustee fees. I would ask the board to consider letting staff proceed with the payment processing of those trustee costs if it is in accordance with the trust indenture. We will bring it back to the board for ratification but the preliminary work done appears that the District will have to pay those out of their construction funds.

Mr. McCarthy asked is this cost sharing with the bondholders?

Mr. Perry responded no. If you recall we have approximately \$7M of construction funds still available. The bondholders and trustee have incurred about \$40,000 worth of costs.

Mr. McCarthy asked and these costs are associated with what?

Mr. Perry responded with Coastoak Group.

Mr. McCarthy asked was there a study done?

Mr. Perry responded yes, which we have not received. They have not provided it to us. When they do provide it to us it will be public record.

Mr. McCarthy asked do we have a legal right to this report if we are going to pay for it?

Ms. Scruggs responded the whole issue about the trustee fees is we don't really know what these amounts represent, so I don't even know if I can say. I think we need to pursue this matter further.

Mr. Zemball asked so we are not even sure what the deliverables are?

Mr. Perry responded I don't know what the details are of that. They have provided me a one page invoice. They have dollars on it associated with a time period and most of it is referenced to the attorneys that have been involved in the discussions with the bondholders and Coastoak.

Mr. Welsh asked can we table this until the next meeting?

Mr. Perry responded yes.

D. Field Operations Manager

Mr. von der Osten stated two fountains have been down for the last week. Both are electrical related. One was a panel repair that has been completed at the Champions entrance. The fountain at the International Golf entrance looks like it is a pump issue. It is scheduled to be

looked at this week. Up-lighting was mentioned on Promenade. There is an electrical issue there to that we are trying to track down. There is a breaker that continues to trip and we are unable to find out why.

Mr. Bertsch asked is there luck on finding estimates on breaking down the pole lights from the up-lights?

Mr. von der Osten responded he is looking into that. He has to measure some runs. They are all tied in together.

Mr. Bertsch stated the entry lights for Tournament were out this week but they went back on again.

Mr. von der Osten stated the lights are back to the original schedule right now. If the board decides to go with the new budget and cut back we can set that up permanently.

Mr. Bertsch asked what did we decide on as far as the hours of shutting them off?

Mr. Perry responded I think the discussion was around 2:00 a.m.

NINTH ORDER OF BUSINESS

Supervisor's Request and Audience Comments

Mr. Welsh asked the homes that are in foreclosure within LPGA when we bill them with these assessments, who pays them?

Mr. Perry responded more than likely they probably didn't pay their taxes, so there is a tax certificate that has been sold. Typically, when the bank finalizes their foreclosure they will bring those tax certificates current.

Mr. Jim Cratty stated in regards to the gentlemen that was asking about the fire, they had a meeting at the vocational school and the fire department was there. They were going to vote on how to notify people quickly, so you would have more time to leave your place. The last time they went around and knocked on everyone's door.

Mr. von der Osten stated this has to do with the overpass. The jasmine and plant replacement on the embankments was just over \$9,000 and you directed me to go back with the vendor and look at some alternatives to bring that cost down. We conducted that review and it is a combination of jasmine and different grasses. We would replace the existing jasmine. It does lower the proposal by about \$3,000 to \$5,925. That is part of the 50% cost share agreement.

Mr. Zemball asked does that have to do with stabilization?

Mr. von der Osten responded yes.

On MOTION by Mr. Zemball seconded by Mr. Welsh with all in favor the Proposal from Rountree to Replace the Jasmine & Grasses at the I-95 Interchange totaling \$5,925 but is included in the 50% Cost Sharing Agreement was approved.

Mr. Perry stated in the south section we have had a request for some landscaping to be put in, in regards to the 2005 bonds.

Mr. von der Osten stated in the bond document it is referred to as EE1. It is part of the Grand Champion development to the south. At the tail end of EE1, which is Champion Ridge Drive there was some round-a-bouts that were never landscaped. There were no homes there, so there was no point landscaping it and having to maintain it over the last several years when no one was there. Now the builders have come into the neighborhood. We have new model homes and more activity there. They have requested that that round-a-bout be landscaped. I discussed it with Jim and we reviewed it. It is part of the bond documents. It would come out of the balance of the 2005 construction funds. The estimated cost would be between \$20,000 to \$30,000 with irrigation, trees, etc. We discussed going out for three bids and bringing it to the board for approval.

Mr. Zemball asked do we have conduit running under the road?

Mr. von der Osten responded it is not believed so. That estimate would include a directional bore to the round-a-bout.

Mr. Bertsch asked how many homes are involved in that landscape scheme?

Mr. von der Osten responded that neighborhood currently has 363 developed lots and 35 have completed homes on them. Two new model homes are about to open and two other builders are moving in with models.

Mr. Zemball asked and those round-a-bouts are not temporary?

Mr. von der Osten responded no. They are permanent round-a-bouts.

Mr. Perry stated we will bring that back. If we don't have our meeting at the end of the month, is that going to create an issue for you on timing?

Mr. von der Osten responded I don't believe so. They will be starting their pool and amenity center within the next 30 days. They selected a contractor this week. There is a two

acre site for a pool and bathrooms. KB Homes is getting ready to open two model homes. I believe Kargar is going in and also Land & Homes is going to build.

TENTH ORDER OF BUSINESS

Next Scheduled Meeting – 9/28/11 at 1:00 p.m. at Holiday Inn

Mr. Perry stated the next scheduled meeting is September 28, 2011 but unless something comes up I don't see a need to meet. I would propose that we will notify the board approximately two weeks before the meeting if we are going to cancel. We will meet again October 26th in the small room at this location.

ELEVENTH ORDER OF BUSINESS

Adjournment

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


Secretary / Assistant Secretary


Chairman / Vice Chairman