

INDIGO
COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held Wednesday, October 26, 2016 at 1:00 p.m. in the Holiday Inn Daytona Beach LPGA Boulevard, Ballroom, 137 Automall Circle, Daytona Beach, Florida.

Present and constituting a quorum were:

Robert Welsh	Chairman
John McCarthy	Assistant Secretary
Donald Parks	Assistant Secretary
Mark McCommon	Assistant secretary

Also Present were:

James Perry	District Manager
Katie Buchanan	Hopping Green & Sams by telephone
Kurt von der Osten	Field Operations Manager
Jamie Rountree	Team Rountree
Ashley Becker	Hayman Woods by telephone

FIRST ORDER OF BUSINESS

Roll Call

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

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Update on Hayman Woods Proposal

Mr. Perry stated I have been in contact with Ashley via email over the past couple of weeks and provided her some additional information. They don't have anything they were going to provide to you today but will come to next month's meeting.

Ms. Becker stated we entered into contract negotiations earlier this summer and quickly ran into some issues with Southwest 30. We didn't attribute any value to this parcel but it was listed on the lands available for taxes list and was going to escheat to the county next year if no one bought it. We didn't think anyone was likely to buy it given the debt and O&M assessments.

We were able to work with our brokers and a buyer and an affiliate of our buyer bought it off the available for taxes list so we are now under contract for all remaining parcels to a buyer who also owns Southwest 30 through an affiliate. Now that we have finalized all the contract negotiations I sent a revised restructuring proposal to the bondholders, trustee and counsel earlier this week and I hope to set up a meeting with them next week or the following week to finalize our restructuring with them and hopefully turn it all to the O&M side assessments and present something to you at your next meeting in November.

Mr. Perry asked in regards to your contract is it a sale of all the parcels that you own?

Ms. Becker stated yes, it is the sale of all the parcels that we own to a developer who intends to start a builders lot program. We hope to get lots going on the ground very shortly after closing.

Mr. Welsh asked do you want to renegotiate some of these parcels?

Ms. Becker asked what do you mean by that?

Mr. Perry stated in the past there were comments made in regards to certain parcels being over allocated assessment units.

Ms. Becker stated I think we will have a proposal for you next month but we would like to see a restructuring of past due assessments and now that we have identified a buyer I think they would want input on how to restructure the assessments and make it more viable going forward and make sure this situation doesn't happen again. For example Southwest 30 I think in reality there are more wetlands on it than the ETM report showed so there is no way to get 360 units on there. I think over time they need to be reassessed but first we need to restructure the past due assessments.

Mr. Perry stated you are probably aware of this but we did get notice from the county for two parcels, the first one is Parcel #5217-00-00-0080 and is Northwest 11 is what we refer to it as and there is a notice of application for tax deed on that parcel. You should probably have gotten a notice on that.

Ms. Becker stated yes, unfortunately I just got them yesterday.

Mr. Perry stated the other one is Northwest 29, I just want to make sure that you had those notices.

Ms. Becker stated yes, thank you, we are going to have to work through those as well.

Mr. Parks asked with the potential sale of these properties would Hayman Woods be out of all property in LPGA?

Ms. Becker responded yes.

Mr. Perry stated Ashley I know we have talked about timing and so forth and our next meeting is going to be November 16th so we try to get everything to the board members a week ahead of time so if you could endeavor to do that for us that will be helpful to the board and staff.

Ms. Becker stated okay.

Mr. Welsh asked will a representative be here personally?

Ms. Becker responded yes, I will be there in person. I wanted to be there today but we didn't have a proposal finalized. As soon as we get that finalized I will get it over to Jim before that Tuesday and I will be there in person at your next meeting on the 16th.

FOURTH ORDER OF BUSINESS

Approval of the Minutes of the September 28, 2016 Meeting

On MOTION by Mr. Welsh seconded by Mr. McCarthy with all in favor the minutes of the September 28, 2016 meeting were approved as presented.

FIFTH ORDER OF BUSINESS

Ratification of Engagement Letter with Grau & Associates for FY16 Audit Services

Mr. Perry stated the next item is ratification of engagement letter with Grau & Associates for audit services and that is consistent with what they bid. I have already engaged them and they have started some of the preliminary fieldwork.

On MOTION by Mr. Welsh seconded by Mr. Parks with all in favor the engagement letter with Grau & Associates to perform the fiscal year 2016 audit was ratified.

SIXTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There being none, the next item followed.

B. Engineer

There being none, the next item followed.

C. Manager

Mr. Perry stated the 1999A Bond Issue was over a limited number of lots in the development. We have been working with the investment banker to see if we could possibly refinance those bonds. Unfortunately, we are still preliminary with them but there are a number of undeveloped lots associated with that, about 50 or 60 lots on which homes have not yet been built and it might be an issue to refinance them. The other option is we currently have about \$150,000 in the construction account for those bonds and regardless of whether we refinance the bonds or go this route we need to get the project deemed complete and we will have to engage the engineer and he will have to basically say at this point in time you have expended the funds necessary for that development and the project is deemed complete. We will use that \$150,000 and pay off a portion of the bonds and re-amortize that debt so there will be a reduction for those landowners that are subject to those bonds. We will probably go ahead and engage the district engineer to do that and then hopefully, we could refinance them. The preliminary work that we have done to date that does not appear to be a viable option.

D. Field Operations Manager

Mr. von der Osten stated everybody has seen the cleanup after the storm, Rountree was great in jumping in the next morning and since they could not do their normal maintenance we received invoices for storm recovery but we were credited back the maintenance for that week.

Mr. Rountree stated we have three large oaks that we will ultimately take down that were damaged to the point where they can't be recovered or are a safety hazard. None were of immediate need so they were left while we finished the rest. We have minor cleanup left mostly in outlying areas, nothing left in the immediate complex, within close proximity of any sidewalk or road. We do have some limbs still hanging that we need the lift to get to but overall all work has been complete. There will be one other small bill but it won't be nearly the size of what the first one was. The first bill was cut almost in half due the credit that was issued for not doing maintenance that week.

Mr. Parks stated I believe you were supposed to come back with some quotes for the new signage for the entries.

Mr. von der Osten stated I believe they were distributed at the last meeting. I have it on an email and I can forward it to you because there are six different options and they can be tweaked any way you want. A logo can be inserted, the text can be changed and it ranges from a simple re-paint up to an entire rebuilding.

Mr. Parks asked are we going to put that on a future agenda for action?

Mr. von der Osten stated that would be up to the board. Painting is rather inexpensive relatively speaking switching out to a new logo that matches the clubhouse and whatnot you are talking several thousand dollars per monument.

Mr. Perry stated in light of the phone call from Ashley maybe we ought to push it off a little bit.

Mr. von der Osten stated then maybe repainting, which I believe was about \$4,000.

Mr. Parks stated with the new logo I would think that Consolidated might want to pitch in because it is to their benefit.

Mr. Rountree stated since I sit on the board with the club they are doing several things in and around the clubhouse and it might be a good time to approach them. There is one sign in the front that has storm damage.

Mr. von der Osten stated I will forward you the email with the quotes so when you are back talking to the board you can break this out.

I have a proposal to raise the canopy of the oak trees along Champions Drive. We are getting complaints from a lot of the large delivery trucks hitting the canopy and scraping the trucks. The canopy is lower than recommended by the latest transportation standards. This canopy raising is above and beyond the tree trimming maintenance we are currently paying for in the budget this is a much larger job. The proposal is an additional \$34,876 for canopy raising throughout Champions and International Golf.

Mr. Perry asked if that does take place is that a one time charge and then the other kicks in so it will still be around \$70,000 annually?

Mr. Rountree stated based on the way we have operated up to this point, the trees are finally getting large enough and they are creating damage to the point where the semi's are hitting them so instead of the maintenance where we are taking off small limbs 2" and lower we

who have been complaining I told them to call the city. It is not the CDD's responsibility to clean those sidewalks. However, if you want to have Jamie do it we can get a proposal.

Mr. Rountree stated this is the first year in about three years that we didn't do it and between the shade and that amount of water you are going to get it every year.

Mr. von der Osten stated as we have done in years past I believe the IOA would go in and at least spot clean these areas where it becomes a slip hazard.

Mr. Welsh asked could we do that together, they do some and Jamie does some and we split the cost?

Mr. von der Osten stated let's get the numbers.

Mr. Rountree stated in the past we have utilized water from the irrigation and we will not be able to do that now. We can bring in a tanker and the last two times we did it we pre-treated it and it makes it go twice as fast. We are not moving forward on this you want numbers and basically the IOA and CDD will consider splitting the cost.

Mr. Welsh stated we will have it for the November 16th agenda.

Mr. McCarthy stated just to make sure I understand what Ashley said, they are going to sell all the properties they own to a developer.

Mr. Perry stated correct.

Mr. McCarthy asked do we know who the developer is?

Mr. von der Osten stated she stated it was an affiliate of the owner of Southwest 30, the owner of Southwest 30 is the guy who has been calling all of us saying he can work out the issues with the CDD.

Mr. Perry stated the owner of Southwest 30 is Hayman Woods. The way she couched this is the entity that is buying this is basically going to package sections and begin selling them to builders like D.R. Horton, ICI, etc. They have title to that property, there was a tax certificate sold years ago, the person who owned that certificate petitioned the county to redeem it for a tax deed. Prior to the issuance of the tax deed being done, Hayman Woods came back in and paid off the tax certificate of \$200,000+, which is a parcel they said had no value.

Mr. McCarthy asked is any of that \$200,000 owed to us?

Mr. Perry stated it came to us at the beginning of September, on the last page of your agenda book there is receipt of \$193,000. If you remember we were talking prior to the

September meeting that our collections were a little less than what we expected because there were some parcels that certificates had not sold on. They redeemed it.

Mr. McCarthy asked how much is still outstanding?

Mr. Perry stated there is still debt that is outstanding on that but the operation and maintenance has been paid and is fine on that parcel.

Mr. McCarthy asked are there any other properties that Hayman Woods owns that O&M is owed on?

Mr. Perry stated there are some properties where there are tax certificates that have not sold. I don't have that list.

Mr. McCarthy stated I wanted to know what our position is.

Mr. Perry stated most of the parcels other than this year we have received the O&M.

Mr. Welsh stated it looks like they want to renegotiate the assessments and they want us to lower those.

Mr. Perry stated I think that's where they are going. I will use an example so don't tie me to these numbers. Say for all of their properties, there are 1,000 units allocated and they are going to come back in and say there is no way we can build 1,000 units on all this land but we can build 600 units and in parcel 1 you have 300 units allocated and we can only build 50 so we want to have this reallocated to 600 units or whatever the number is and the various parcels reallocated. It would be a process just as we did three or four years ago.

Mr. McCarthy stated we hired an engineer to do all that stuff. They are going to hire an engineer to come back and say 1,000 to 600 units.

Mr. Perry stated I'm assuming that is what they are going to do. What would happen going forward, you would have less units to allocate O&M to and they would ask the bondholders I'm assuming to take a write-off of those 400 units that they are never going to build.

Mr. Welsh asked are they meeting with the bondholder prior to them coming here?

Mr. Perry stated yes and we suggested to them that they needed to do that to get the bondholders to buy in. The total amount of debt outstanding is about \$13.5 million related to these parcels. Keep in mind the bondholders' portfolios are in the billions so \$13.5 million is just a write-off. They can rationalize writing off \$3 million, \$5 million, \$6 million in order to get the project moving forward and make what is left of their bonds good.

Mr. Welsh stated to come to us on the 16th she must have a pretty good idea the bondholders are willing to do that.

Mr. Perry stated I think there is a deal to be made, the question is how much pain the bondholders will take. They can structure deals all over the place where maybe the bondholders say okay there is \$6 million you don't want to pay us for that but we will take a gain sharing on future lands that you sell at a rate of 2% or something, there are all sorts of ways to cut a deal.

Mr. Welsh asked if we refinanced that 1999A Bond will us defaulting on the other bonds have any influence on those A Bonds that we refinance?

Mr. Perry stated it probably won't because I don't think there are any issues with those parcels that aren't current, I think those are all current.

Ms. Buchanan stated whatever the bondholder works out will lead the way. There are a lot of ways we can work out solutions assuming the bondholder works out something.

Mr. McCarthy stated they tried to sell this property and they are going to come back to us and ask for a reduction because they are saying of the 1,000 lots only 500 are buildable. Can we ask the question why aren't the other 500 buildable?

Mr. Perry stated definitely. They have to provide adequate documentation that there are more wetlands than anticipated or there is an FP&L easement that goes through that bifurcates it. Just like our engineer went through it. There were a lot of arguments about you can't build that type of facility there and our engineer said yes you could.

Mr. McCarthy stated even wetlands you can build on them you just have to spend a little more money.

Mr. Perry stated staff would not just say whatever they tell you is adequate we would want some type of documentation so if the board does decide that they believe there should be a reduction in the assessable units that you have something you can stand behind and show the residents because eventually at the end of the day it will impact the residents and other landowners within the district.

Mr. von der Osten stated Mr. Rountree asked that I reopen the field engineer report regarding deflectors. We adhere those to the curb and my reports were they weren't that successful. The only other option is reflectors mounted on small posts or 4 X 4 painted green and brown to make it aesthetically pleasing so it sticks up a little bit over the curb. That is the

only other option I know if it doesn't work attached to the curb. That would be a little more maintenance just as working around the no fishing signs.

Mr. Rountree stated if I could make a suggestion to the board most of them could go in the islands I would put in beds so we don't have to work around them and the other is use them primarily in our high issue areas where the turns are, where the curbs are. The tree that was hit recently had previously been hit by someone else. I would say in front of that tree or prior to that tree, which is where it is needed where they lose control just prior than the tree. They are not overly expensive and I know we would make a certain segment of our population in LPGA very happy if they saw some.

Mr. Parks stated sometimes I take that way home and we need reflectors there. We need some reflectors on those islands.

Mr. von der Osten stated we can put 20 or 30 up for not a huge price and see the reaction to it.

Mr. Parks stated put the ones that stick on the curbs to start with and see how they last and see what the response is.

Mr. Rountree stated if we do one on the curb on either end we are only talking about \$432 if we add 25% to our total number so we can put in some hot spots you are still under \$600.

Mr. Perry stated that is within your spending limit.

Mr. von der Osten stated we can call Halifax who did the roads and ask who their traffic safety guy is and maybe talk to them who do this for a living and see what kind of number they are talking about.

Mr. Perry stated that is a good idea why don't you do that.

Mr. Rountree stated the ones we put flat don't show up well unless you are really close to them.

Mr. McCommon joined the meeting at this time.

Mr. McCommon stated I'm interested in the Hayman Woods proposal.

Mr. Perry stated they don't have a proposal for us they will have one at the next meeting. They are working with the trustee and the bond counsel to structure a deal. They have under contract a sale to sell all their properties in the Indigo CDD. If that goes through and they can work out terms with the bondholders they will be out of here.

Mr. McCommon asked terms being they potentially are going to get a discount?

Mr. Perry stated yes. The discount would be a bondholder decision not the district's in regards to the bonds. They also potentially will come to the board and say for example there are 1,000 units for all their lands they don't believe they can build 1,000 units they can only build 600 so they want to reallocate the assessment units. We don't have anything but that appears what they will probably do. A lot of this is conjecture because they haven't told us exactly what they want or what they are restructuring with the bondholder but I'm surmising that is more than likely the scenario that we will see in the future.

Mr. McCommon stated I'm surprised they would work with the bondholder and us being on the outside.

Mr. Perry stated the board doesn't have to agree with the bondholders and probably the biggest part of their deal is trying to get relief on the bonds. There is probably \$13.5 million of bonds outstanding on the district and probably \$8 million of that is related to Hayman Woods. They are probably looking for some type of relief on that \$8 million.

Mr. McCommon asked if they got that wouldn't our obligation be reduced as well?

Mr. Perry responded correct.

Mr. McCommon asked what is our opinion on whether that is likely?

Ms. Buchanan stated I think it is likely. I don't have any idea what their rationale is or what they are thinking but it has been on their books for several years now so if they are in a position to clean it up I think it is likely they will take it. That being said it is a large amount of money that is owed so I don't know the extent to which they are willing to take a write-off on this. Hopefully, I will get a better sense once I speak to bond counsel on it.

Mr. McCommon asked if it were to go forward with a reduction would there be a recalculation of the repayment obligations on those bonds?

Mr. Perry responded yes for those associated parcels, just like your lot there is debt assigned to your lot it is a portion of the bond so all the Hayman Woods parcels have debt \$8 million or \$9 million assigned to them. If there is a write-off of half of that then the amortization and assessments each year will be one-half of what they currently are, you just re-amortize the debt.

Ms. Buchanan stated if we were in the beginning of this district that blanket of debt on undeveloped property would lay across the whole thing and we would have an agreement with the developer that if they didn't develop as many units as they anticipated they would have a

true-up payment. We are past that now but it is possible the bondholders might want us to look at each tract as sort of a global piece of property and maybe the developer would agree to some sort of true-up payment. I think it is early to speculate how they are going to want to do that but there are several options they can pursue to try to make sure that somehow the development plan works with the allocated debt, which is the ultimate goal.

Mr. Perry stated she did say she would provide us the information so you will have it at least a week ahead of your next meeting and she said she would attend the next meeting in person.

EIGHTH ORDER OF BUSINESS

Approval of Check Register

On MOTION by Mr. Parks seconded by Mr. McCommon with all in favor the check register was approved.
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NINTH ORDER OF BUSINESS

Financial Statements as of September 30, 2016

Mr. Perry stated you have the financial statements as of September 30, 2016. Under the general fund at the top we had assessments we budgeted this last year and this is through the end of the fiscal year of \$1,059,000 and we actually collected \$856,000 so we did not collect about \$200,000 of assessments.

Mr. Welsh asked what do we do about it?

Mr. Perry stated that \$200,000 is made up of a few parcels and if a tax certificate didn't sell on those parcels, which obviously it didn't because we didn't get the money then eventually the county would be apply for a deed on that parcel and the county would have it as an excess parcel of land and they would sell it outright down the road.

Mr. Welsh asked we would still get that money?

Mr. Perry stated as long as the county owned it we would not but once it is sold to a third party it would still be susceptible to assessments; the debt would be erased. You can't assess it while the county has it but once it flips to another party you can assess it.

In regards to your financial statements you will see in a lot of areas we were very favorable to budget especially in utilities. This year we are almost \$27,000 favorable to budget

and also a lot of the repairs with the sprinkler system that has been upgraded and we had a lot of favorable variances there also.

Also we have the debt service funds for the 1999A Bonds we talked about earlier we are looking to refinance those bonds. Those are the only bonds not in default and they are not over all the lands in the district they are just over a number of lots that those are attributable to. We are going to try to get that process started. As to the tax collections the \$193,000 was received the beginning of September and that was related to the parcel we talked about with Ashley where originally they said that parcel had no value and it was going to be deeded to the county and they brought the assessments up to date prior to that being transferred.

TENTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

ELEVENTH ORDER OF BUSINESS

Next Scheduled Meeting – November 16, 2016 at 1:00 p.m. @ Holiday Inn

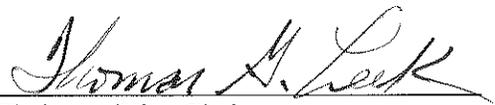
Mr. Perry stated the next scheduled meeting will be held November 16, 2016 at 1:00 p.m. in the same location. We will have the meeting regardless of whether we have something from Hayman Woods or not.

Mr. Welsh asked what if they want an extension until December and we don't meet in December?

Mr. Perry stated the following one is January 25th and if they are not ready we would probably cancel the 16th and look at the first week of December to meet.

On MOTION by Mr. Welsh seconded by Mr. Parks with all in favor the meeting adjourned at 2:00 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman