

INDIGO
COMMUNITY DEVELOPMENT DISTRICT

The October 2, 2018 meeting of the Board of Supervisors of the Indigo Community Development District was continued and reconvened Tuesday, October 9, 2018 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:

Thomas G. Leek	Chairman
Robert E. Welsh	Vice Chairman
John McCarthy	Assistant Secretary
Donald Parks	Assistant Secretary
Mark McCommon	Assistant secretary

Also Present were:

James Perry	District Manager
Katie Buchanan	District Counsel by telephone
Kurt von der Osten	Field Operations Manager
Jamie Rountree	Team Rountree
George Leone	SW 30/32 Investments, LLC

FIRST ORDER OF BUSINESS

Roll Call

Mr. Leek called the meeting to order and Mr. Perry called the roll.

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

THIRD ORDER OF BUSINESS

Consideration of Settlement Proposal Related to Parcels SW 30 and 32

Mr. Perry stated you have a copy of the current proposal and it has amounts that were computed by my company, GMS, in regard to assessments related to these two parcels. The two parcels had an excess of 600+ units originally allocated to them and based upon the bondholders' input and the landowners they have agreed to acknowledge that there could be the potential for 464 units to be constructed on those two parcels. We have gone through and recomputed what

those assessments would have been based on 464 units for those two parcels. The largest thing in regard to this computation is for years 2012 – 2014, those were direct bills for the district to the landowners that were not paid. In the prior discussion that \$450,000 plus penalties and interest total over \$700,000 and the board at the last meeting seemed to have consensus in waiving past due interest and recomputing this based on 464 units. The bottom line in regard to the re-computation that is reflected in the current settlement agreement is the landowners would pay the district \$64,958.83 and in addition this spreadsheet acknowledges that their assessments for parcel 30 that have already been certified to the tax collector for \$51,374 and for parcel 32 for \$6,986 and those are to be paid by the landowner to the tax collector and that will flow back to the district. That has been considered in this computation.

Mr. McCommon stated our total collections will be those two figures plus the \$64,958.83.

Mr. Perry stated correct.

Mr. McCommon asked would that happen at their closing because they are selling the property?

Mr. Perry stated I don't know if they are going to be closing in the short term or not. They can take advantage of the early payment discount and pay them by November 30th.

Mr. McCommon stated one way or another it is going to be paid.

Mr. Perry stated yes. I would expect if they don't get paid we will go through the tax certificate process again and the district will be made whole. My understanding is the bondholders have been working with their consultants and have agreed with the landowner to the general terms as previously discussed and the 464 units. They are working on details in terms of a potential true-up and keep in mind what is going to happen if they do only build 464 units then there is debt associated with the additional 200 units. The bondholders are going to have to cancel that debt so it will be reflected on our books. They are working through the details on how to do that because there is the potential that they could possibly build more than 464 or less than 464. If they build less than 464 then they have an additional payment to the bondholders for that debt. The debt that is sitting out there is based on 464 units.

Mr. Leek asked our annual billing on these two parcels is what? Is that the \$64,958 also?

Mr. Perry stated it is the \$51,374 and \$6,896 so it is approximately \$58,000. Katie, do you want to add anything?

Ms. Buchanan stated you have done a good job in laying it out. What I would want everyone to consider is if you are comfortable with the terms of the deal to authorize the chairman to finalize the form rather than approve it as is. There are a couple tweaks I see us making to clarify that the debt that isn't anticipated to be collected is completely written off. I just want to make sure we have a nice clean copy at the end of the day.

Mr. McCommon stated we have \$387,000 of over collections but we haven't collected that yet. If we were collecting the full amount we would be collecting \$452,000 so the \$387,000 that we would not collect how is that going to be reflected in our balance sheet and financial statements?

Mr. Perry stated the financials we have are not based on a full accrual basis for the assessments they are on a modified cash basis so what happens is our financials reflect what we collect, we don't have a large receivable sitting out there for assessments. In our audited financials there will be a footnote that will detail what the transaction was and acknowledge that there was a forgiveness, I don't know what the exact terminology would be.

Mr. McCommon stated obviously, this will have an effect on our budget in terms of revenue you would expect for 2019 and so forth because we are going to receive less than anticipated receiving.

Mr. Perry stated for 2019 we assessed the \$51,000 and \$6,900 and that is already in our budget and they are going to pay that. Going forward for 2020 the assessments for those two parcels would only be \$35,000 based on the 464 units.

Mr. Leek stated but the per unit assessment amount goes up as soon as they plat.

Mr. Perry stated correct, as soon as they plat it will change.

Mr. Parks asked what is the timeline on that?

Mr. Leone stated we are going through the approval process right now with the City of Daytona and we are in the preliminary plat process that we think will wrap up in about January and based on the way things are going I anticipate the final plat for the first phase of 199 lots will be recorded sometime in 2019. The second phase is probably two years off from that if things go as they are currently.

Mr. McCommon stated we were discussing the road as well that is going in that will connect with LPGA. What about monuments and so forth that will likely be needed?

Mr. Perry stated after you left the board discussed about maybe some consistency and signage and so forth in the community. The board doesn't have any authority over that but would like to have some type of consistency so people would recognize that it is part of LPGA.

Mr. McCommon stated we have the walls and fountains in every other entrance. Is that something that you were anticipating?

Mr. Leone responded yes, something similar it may not be exact.

Mr. Perry stated we would probably ask that you coordinate with Kurt because the signage out here is being upgraded and we would like some consistency. The other thing too because in most communities because we will be assessing those people in there and as part of that entrance you will probably be conveying that to the district so that we maintain it going forward so as a further requirement before we would accept that we would want it to be consistent with what we have in place.

Mr. McCommon stated common areas as well where you have multiple neighborhoods and different homeowner associations there are certain common areas that would be covered by Jamie that we would need to be understanding as well.

Mr. Perry stated you probably prefer those to be under HOA but you don't want the HOA to have the signage.

Mr. Welsh asked what is the final amount they are asking to waive?

Mr. Perry stated there was approximately \$450,000 worth of assessments for 2012 – 2014 and based upon this calculation they would only be paying \$65,000 out of the \$450,000.

Mr. McCommon stated I was surprised it was that low. I trust your calculations.

Mr. Perry stated those were very rough and this one anticipates also fiscal year 2019, which was not included in the other calculation, which we over assessed based on the 464.

Mr. McCommon stated it is really collecting about \$125,000 plus.

Mr. Parks asked what is the amount per platted lot?

Mr. Perry stated \$383.

Mr. Leone stated if we platted the 199 lots in 2019 I'm not sure that actually hits your roll, it is really close to where you won't see a revenue drop off it just depends on when that gets platted.

Mr. Perry stated depending on when that is platted it may not hit our roll until the following year, but you will have a substantial uptick.

Mr. McCommon asked what bonds is this effecting?

Mr. Perry stated the 1999Cs and the 2005 bonds. The bulk of it is related to the 2005 bonds.

Mr. McCommon stated in their letter they said they had gained preliminary agreement with the bondholders with final details to be worked out.

Mr. Perry stated yes.

Mr. McCommon asked is our settlement letter tied to that, subject to or should it be?

Mr. Perry stated I know we talked about this before. It is a tri-party agreement.

Ms. Buchanan stated we don't have to sign first. We can agree to this agreement contingent to the agreement with the trustee in connection with the debt assessments as well.

Mr. Leek stated in the new world with 199 platted lots we would actually pick up revenue of about \$42,000 a year more than we are assessing now.

Mr. McCommon stated and initially for not much if any expense.

Mr. Perry stated you are only talking about one entranceway it is not a major expense.

Mr. McCommon stated it is not going to be substantial it is something we would have to be looking at.

Mr. Perry stated in all fairness that \$387 is for the whole district and those residents are paying for your entranceways up here.

Mr. Leek stated our collections go from \$58,271 as they are today up to about \$100,000, that is a \$42,000 increase that would most likely hit in 2020.

Mr. Perry stated they typically cut off the roll as of January 1st for the next fiscal year. For fiscal year 2020, which starts October 1, 2019 if they plat it in February more than likely it won't hit the roll so it will be two years.

Mr. Leek stated if the balance due is \$65,000 and \$42,000 seems to be the first step up in assessments then you add \$65,000 and \$42,000 you get \$107,000, I would probably propose that \$100,000 would do the deal.

Mr. McCommon stated we are getting \$125,000 not \$64,000. You have to add those two together in terms of what we would collect regardless.

Mr. Leek asked is that amount included in the calculations?

Mr. Perry stated yes. The balance due is the settlement agreement to reflect the 464 units that in theory should have been charged.

Mr. McCommon asked are there additional collections of that \$58,000?

Mr. Perry responded yes, the \$58,000 will be paid by them to the tax collector and flow through to the district.

Mr. McCommon stated on top of the \$64,000.

Mr. Perry stated that is correct. That is shown in our budget this year, the \$58,000. Next year if nothing changes you will be collecting \$58,000 from them if they don't plat anything and the budget doesn't change.

Mr. Common stated if the bondholders agree that there are only 464 lots I'm not sure how we argue against that. If they agree there are 464 and are willing to write off any debt associated with anything about 464 how would we feel in terms of asking them to pay, assuming the calculations are accurate.

Mr. Perry stated if you will remember the discussion last week, Ken Artin their counsel discussed with the bondholders that they believed that there was only about 364 units that they believed they could develop. The bondholders based upon their consultant looking at the preliminary wetlands came up with 464, which they have agreed to and there is a true-up provision in this agreement that says if they plat less than 464 units they still have to pay the bondholders the differential and if they plat more than 464 then that debt for each unit gets layered on that. If it is 500 units then the write-off for the bondholders is less. For us to go back and try to recalculate all that would be pretty bothersome to say the least so we don't have that provision in ours but going forward if they end up platting 400 units instead of 464 that is what we will be assessing in the future. On the flip side for them they want to build as many units as they can.

Mr. Leek stated we are saying for 2019 we over assessed \$23,000.

Mr. Perry stated correct.

Mr. McCommon stated we are not giving any of that up.

Mr. Perry stated correct, it is netted in the \$64,000. For 2019 we are going to collect on the tax roll related to these two parcels \$58,271 and then if this agreement passes and goes through as a condition of this agreement they will pay the district directly the \$64,958.

Mr. McCommon stated we assessed for \$52,000 and if we agree that was incorrect and the bondholders are agreeing that was incorrect and we got tax certificates on some of these are already paid so four of the years have been paid then the \$64,000 really is what is due excluding

late charges and interest. I wouldn't look at it as giving away something per se if we agree there was a change in a few of those lots then I'm comfortable with what is being proposed.

Ms. Buchanan stated I do think we can understand the reduction in units is one reasonable approach. That being said I don't think we are going to say on the record that it was a mistake because as part of the settlement agreement we are willing to go with 464 potentially in an effort to move forward. If this agreement doesn't work out the next landowner will be tied at 681. I just want to make sure everybody agrees, it is a subtle point that I want to make sure.

Mr. McCarthy stated I am comfortable with this agreement.

Mr. Leek stated I'm still struggling with this thing about current year 2019. We say we over assessed by \$23,000 but we also say they are going to pay that but they are not because we took that out and credited that back in the \$387. Their actual assessment for this year that they are actually paying is \$35,000.

Mr. McCommon asked wouldn't it have been better not to have 2019 in there if we are expecting that to be paid in full otherwise?

Mr. Leek stated it would have made it easier for me to understand.

Mr. McCommon stated you are adding it in but you are saying someone else is paying it. We are getting \$58,271 and we are going to get that money so if you took that off the totals it would reduce the over collections.

Mr. Perry stated all it would do is flip the numbers somewhat because 2019 based on 464 units we should only assess them \$35,000.

Mr. McCommon stated but they aren't paying for it regardless.

Mr. Perry stated they are paying \$58,271.

Mr. Leek stated but getting credit for \$23,267 on the bottom end. They are paying \$35,000.

Mr. Perry stated correct.

Mr. McCommon stated I think that whole fiscal year 2019 should be taken out of this with the expectation that money is going to be received. It doesn't matter if it is an over assessment or not we are getting the capital and we are not asking the buyer to pay it.

Mr. Perry stated if you eliminate that column it would pump up the \$64,000 number to \$87,000. We have billed them \$58,271 and what I'm saying is we have still over assessed them we should have only billed them \$35,000 so they paid an additional \$23,267.

Mr. Leek stated what we are saying is we are getting \$125,000 and that is reduced, it would still be \$125,000 but we credited back \$23,000 back on the bottom end too. That \$23,000 reduces the net amount from \$80,000 to \$64,000.

Mr. Perry stated what I'm saying is if you eliminate fiscal year 2019 from this analysis the \$64,000 will go up to \$87,000. The 2019 assessment he is going to pay \$58,271 and based on 464 units he should have only paid \$35,000. He has overpaid by that \$23,267 and I have netted it out.

Mr. McCommon stated I'm trying to understand a few things and I understand the whole calculation but we are giving them credit as well for an over assessment for four years of which we have already received the money. You have given them credit for that but why should there be any credit?

Mr. Perry stated based on the premise that we over assessed them.

Mr. McCommon asked shouldn't it be the years that were unpaid? I'm not disputing it I'm asking the question. The buyers didn't pay it.

Mr. Perry stated in the years that they paid the tax certificates on them.

Mr. Leone stated we bought SW 30 at tax deed sale and we paid \$300,000+ that caught up all the taxes that were due. That was paid by us and the property had a negative value, there really wasn't any land value because of all the debt that was loaded on it. Pending this settlement agreement if this gets finalized then we will pay the amount due to you and we will also catch up anything else that still has tax certificates out there, which is another \$500,000. Yes, a long answer to your question but we will have paid all those taxes.

Mr. McCommon stated that was my question, that clarifies something for me.

Mr. Leone stated I think Jim did a great job in analyzing this. If we were to continue on the path that was on, paying the tax certificates and paying the tax bill every year and you get the \$58,000. Looking at 2019, 2020 and 2021 a three-year window the total of those three years if the assessment didn't change is \$176,000. By us finalizing the settlement agreement and allowing us to proceed with developing the property and getting the units platted next year that same three-year window at the end of it the district will have netted \$258,000 so there is a significant increase by us performing. It is more or less of working together to get this moving forward so it benefits everybody.

Mr. Welsh stated by approving this today, we are settling on this amount.

Mr. Perry stated correct and waiving any direct bills for fiscal years 2011-2014.

Mr. Leek stated we need to weigh that against any future increases in revenue. I think we should work in round numbers.

On MOTION by Mr. McCommon seconded by Mr. Parks with all in favor the settlement proposal related to Parcels SW 30 and 32 was approved in substantial form with the amount due being \$65,000.

FOURTH ORDER OF BUSINESS

Other Business

There being none, the next item followed.

FIFTH ORDER OF BUSINESS

Supervisors Requests and Audience Comments

Mr. Welsh asked did we find out about the lights?

Mr. von der Osten stated I have a proposal, but I didn't bring it today.

Mr. McCommon stated for the next meeting I would like a definitive answer on the status of the signage.

SIXTH ORDER OF BUSINESS

Next Scheduled Meeting – October 24, 2018 at 1:00 p.m. @ Holiday Inn

Mr. Perry stated the next scheduled meeting is October 24, 2018 at 1:00 p.m. in the same location.

On MOTION by Mr. Leek seconded by Mr. McCarthy with all in favor the meeting adjourned at 1:50 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman