

**MINUTES OF MEETING
FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1
FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**

A Joint Regular Meeting of the Boards of Supervisors of the Fiddler's Creek Community Development District #1 and Fiddler's Creek Community Development District #2 was held on **Wednesday, June 22, 2011 at 8:00 a.m., at the Fiddler's Creek Club and Spa, 3470 Club Center Boulevard, Naples, Florida 34114.**

Present at the meeting were:

For Fiddler's Creek CDD #1:

Phillip Brougham	Chair
Jim Curland (via telephone)	Vice Chair
Jim Schutt	Assistant Secretary
Gerald Bergmoser	Assistant Secretary
Robert Slater (via telephone)	Assistant Secretary

For Fiddler's Creek CDD #2:

James Robertson	Chair
Manuel Correia	Vice Chair
Victoria DiNardo	Assistant Secretary
Gretchen Scott	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Cleo Crismond	Operations Manager
Craig Wrathell	Wrathell, Hunt and Associates, LLC
Tony Pires	District Counsel
Terry Cole	District Engineer
Aleida Martinez Molina (via telephone)	Weiss Serota, CDD #1 Special Counsel
Robert Demarco (via telephone)	Treiser Collins, CDD #2 Special Counsel
Paul Battista (via telephone)	Debtor's Counsel
Tony DiNardo	Developer
Amanda Barton	ITG Holdings
Elliot Miller	Resident
Ron Albeit	Fiddler's Creek Foundation

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

Mr. Adams called the meeting to order at 8:00 a.m., and noted, for the record, that, for CDD #1, Supervisors Brougham, Schutt and Bergmoser were present, in person. Supervisors Curland and Slater were attending by telephone. Supervisors Robertson, Correia, DiNardo and Scott were present, in person, for CDD #2. Supervisor Schmitt was not present.

SECOND ORDER OF BUSINESS

Discussion: Corrections/Additions to the Agenda

- **Approval of June 22, 2011 Joint Regular Meeting Agenda, CDD #2**
- **Approval of June 22, 2011 Joint Regular Meeting Agenda, CDD #1**

Mr. Robertson asked for any corrections or additions to the agenda. There being no changes, the next item followed.

FIDDLER'S CREEK CDD #2 ITEMS

THIRD ORDER OF BUSINESS

Update: Bankruptcy Proceedings - Robert DeMarco

Mr. DeMarco stated the proceedings are ongoing and the next hearings are scheduled for June 30 and July 1. He stated the indenture trustee's adversary proceeding against CDD #2 was dismissed and the order was filed on June 17. He noted Ms. Alice Carlson's deposition was on June 15 and Mr. Chuck Adams and Mr. Terry Cole's depositions were on June 16; copies of the transcripts are available.

Mr. DeMarco stated the trustee's order to designate came out on May 26, which is the trustee's motion to contend that the voting by the Districts was done in bad faith. The motion was denied and the order was issued on June 20. He reported the trustee's motion regarding the debtors' alleged improper solicitation of the CDD and community was denied on May 26 and the order issued on June 20.

Mr. DeMarco stated the seventh interim DIP financing order was signed for the month of June 2011. He stated it was sent to Mr. Adams with the latest interim budget. He stated a motion was filed to sell 91 lots at Veneta Village, to D.R. Horton, and the motion is pending an

upcoming hearing. Mr. DeMarco stated Ms. Carlson provided closing requirements; the motion and proposed order are being reviewed by bond indenture counsel.

Mr. DeMarco recalled a state court lawsuit pending against District #2, by the indenture trustee. He stated he filed a motion to dismiss the case and the hearing date is September 7.

Mr. DeMarco recalled document requests that have been made. He noted there is some confusion as to whether they are public records requests or requests for production. During Mr. Adams' deposition, the issue arose as to what extent the Districts could locate records prior to 2007, which were in hard copy form, and not provided in response to the public records request made by the indenture trustee. He stated the District agreed to contact Iron Mountain for the records and the trustee will have a representative review the boxes. Mr. DeMarco noted some discussion on the fee for having a staff member present during the review of the boxes. He stated the indenture trustee would pay the \$500, plus the \$890 Iron Mountain fee.

Mr. Brougham asked if there is a deadline that a party has to render their completion in reviewing the 43 boxes of material. Mr. DeMarco stated the party must have a reasonable opportunity to inspect the records. He noted some of the boxes may not relate to the Districts but are public records and he was assured there is no confidentiality with respect to any of the materials contained in them. He stated, ultimately, in order to avoid any claim that the Districts were remiss in failing to provide the requested records of the indenture trustees, all the boxes in possession of the Districts were made available. Mr. Brougham asked if the research could delay the proceedings.

Mr. DeMarco stated, without speaking for Mr. Battista, debtor's counsel would object to any delays because the requests were presented and an answer was provided that the documents were misplaced. He recalled Mr. Adams' deposition that the District's office made efforts to look through the appropriately labeled boxes and is now giving the trustee an opportunity to review the documents. Mr. DeMarco noted the potential for delay.

Mr. DeMarco noted the depositions were videotaped and transcribed. He stated Mr. Adams' and Mr. Cole's depositions will be accepted and available to the court in either form. They will not be required to present themselves for live testimony. At this point, Ms. Carlson is out of the country but she is subject to being called to court, when she returns.

Mr. DeMarco noted there is a five (5) business day advance notice requirement for the Iron Mountain records and discussed the possibility of reviewing the documents on Friday, June 24.

Mr. Miller asked to what issue are the boxes relevant. Mr. DeMarco stated the Districts were requested to produce records relating to offering statements, lien rolls, how the properties were subject to the various bond series and how the debt was allocated across the properties, throughout the history of the bonds. Mr. Miller asked why it was relevant. Mr. DeMarco noted it may be reasonably calculated to lead to the discovery of inadmissible evidence. From a technical standpoint, to the extent that the properties were improperly allocated, there might be a claim by the indenture trustee that the plans do not adequately protect the lienholders' interest. If the plans do not include the correct properties, there would be a claim that the plans do not protect the interest and a modification of the plans could be needed. If there was, in fact, an improper allocation, it would have to be corrected and an amended group of claims provided to resolve it. He anticipated that it could be done on an administrative basis and did not believe the Board of Supervisors had to be involved.

Mr. Miller asked how the information is relevant to the bondholders' position or claims. Mr. DeMarco noted, without being frivolous, the bondholders are claiming anything they can. He stated the bondholder has a right to discovery and request public records from the Districts. The Districts are required to comply with the request. He noted the relevancy of the information is going to be subject to objections.

FIDDLER'S CREEK CDD #1 ITEMS

FOURTH ORDER OF BUSINESS

**Update: Bankruptcy Proceedings -
Aleida Martinez Molina**

Ms. Martinez Molina noted there may have been misallocation of liens or properties that may need to be addressed. She noted it may be an administrative task that may not require the Boards of Supervisors' directive but now is the time for directive, if someone believes authority is needed from the Boards in order to amend proofs of claim, as necessary, or in a non-bankruptcy context, to correct allocations.

Mr. Brougham asked if it is an issue if parcels of land/platted properties with bond debt, assigned prior to 2009, to a third party owner, and subsequently proven that the bond debt was

not assigned properly. Ms. Martinez Molina stated, to the extent that any errors have been brought to the attention of the Districts or the Board of Supervisors, action should be taken to correct the errors, prepetition or postpetition. Mr. Brougham explained he was trying to understand the reason for reviewing the bond allocation, prepetition, from 2007 and backwards.

Mr. Battista stated the claim that is being asserted, at least through the testimony provided in deposition and trial, including the bondholders' expert witness, is that the bond allocation issues relate to the unplatted property. He explained the allegation is that the 2002 and 2005 bonds, as applied to unplatted property, were improperly allocated by the Districts. The bondholders believe the liens are restricted, eliminated or limited more so than they otherwise would be entitled to by the allocation. He stated he was not aware of any platted property in which there is an allegation of a problem.

Ms. Martinez Molina stated the next hearing is scheduled for July 6. She stated the motion to dismiss will be heard. US Bank's motion to remand the case will be heard, which is the trustee's motion to move the case to state court.

Ms. Amanda Barton reiterated that the bondholders' concern relates to the unplatted land, specifically the 2002 and 2005 bonds. She stated it has come to light that there is a possibility that the methodologies have not been consistently followed. Specifically, Ms. Carlson admitted that she is not certain how some of the lands were assigned to various parcels. It is supposed to be completed on a gross acreage basis, until platting is completed. Ms. Carlson admitted that certain parcels are already allocated to the 2002 and 2005 bonds. Ms. Barton provided a copy of Ms. Alice Carlson's deposition.

Mr. Battista stated the fifth day of the confirmation hearing was completed today. He stated the debtor is working hard to get the case completed.

Mr. DeMarco provided revisions for the May meeting minutes.

JOINT MEETING ITEMS

FIFTH ORDER OF BUSINESS

Developer's Report/Update

Mr. Brougham asked for a status of the escrow agreement. Mr. DiNardo stated it is being worked on and it will be put in place with the closing of D.R. Horton's deal. He anticipated phasing it in through outside builders, such as D.R. Horton, and noted it will have to receive

approval by the Foundation. Mr. DiNardo noted this would apply to homeowners who complete renovations.

SIXTH ORDER OF BUSINESS

Engineer's Report

Mr. Cole presented CDD #1, Series 2005, Pay Draw 58, for approximately \$22,000, including the subdivision improvement bond renewal of \$5,300. Mr. Adams stated he is working with the Lutgert Group. Mr. Cole reported the Fiddler's Creek Parkway lighting was installed and operating. He stated the Belle Meade Preserve charge is related to the mitigation report from Turrell, Hall and Associates. He stated Aquagenix is treating the area and it will be an ongoing project through the summer. Mr. Cole explained the professional fees include fees related to traffic counts that are required annually.

Mr. Brougham asked if Mr. Cole billed the District for deposition time. Mr. Cole stated he cannot bill the Districts for time related to the deposition.

Mr. Cole presented CDD #2 Pay Draw 40, for approximately \$500, including the engineer's professional fees.

Mr. Cole presented CDD #2, Series 2005, Pay Draw 66, for approximately \$21,000, including Florida Power and Light (FPL) conduit work for service lines.

Mr. Cole noted the payments have fallen behind. Mr. Adams stated the bondholders are reviewing the most recent draw requests.

Mr. Cole reported the Phase 3, Unit 1 project is anticipated to be completed before the next meeting. He stated he has to schedule a final inspection with the county.

• **Continued Discussion: Lake Bank Erosion Report**

Mr. Cole provided and discussed the lake erosion reports for District #1 and #2. He recalled a review of District #2 lakes based upon the letter of noncompliance from the South Florida Water Management District (SFWMD). He recalled a budget creation of \$400,000 and stated he reinspected the lakes. He noted the CDD #2 report only includes the lakes that were found to be in violation. He stated the lakes in the Veneta and Aviamar area are in compliance with the nine (9)-inch drop-off threshold for erosion. He stated the report focuses on the problem lakes.

Mr. Cole reviewed the updates to the reports. He summarized the proposed repair methods, including the use of geotubes. He noted the repairs are primarily performed via access

from a floating repair boat, with minimal disturbance to the lake banks. He explained the use of riprap may include the use of a bobcat and disturb existing sod. Discussion followed on the repair of the lake bank erosion in correspondence with the repair type.

Mr. Cole stated he confirmed the geotube method includes a 15-year warranty. He discussed surrounding areas in which the geotube was used. Mr. Cole discussed the use of riprap and noted the proposed riprap is not large in size. He anticipated the riprap method to last about five (5) to ten (10) years and cost about 50% more than the geotube repair method.

Mr. DiNardo noted a hybrid strategy could be used. He recommended the Board complete extra due diligence and discuss the issue with Mr. Mark Strain.

Mr. Cole discussed the use of riprap and that the rock will turn green or brown if there is overspray in the lake treatment. He discussed the cost of the riprap and noted the potential damage to the sod during installation. He noted some erosion may still occur after installing riprap. He recalled the use of riprap at the north end of Championship Drive in which the cost was not cost competitive with the geotube.

Mr. Cole continued to review the reports and anticipated the existing lake littoral vegetation to remain in place during repair. He reviewed Picture 5 and the existing littoral plantings. Mr. Cole discussed the use of littoral plants to address erosion and noted it may or may not be effective. He noted the advantages of using littoral plantings include aesthetics and water quality treatment. Mr. Brougham noted a negative to littoral plantings is for homeowners with a view of the lake. Mr. Cole recommended considering an annual littoral planting program and noted the cost is approximately \$0.75 per square foot.

Discussion followed on the additional costs for a littoral planting program. Mr. Adams explained the lake maintenance contract would not be affected. Mr. Brougham noted the potential maintenance associated with riprap. Discussion followed on the contingency amounts. Mr. Brougham recommended a segmented approach to the entire project.

Mr. Cole reviewed the use of spike rush in Picture 5. He reviewed the other pictures from surrounding communities and explained the installation of the geotube. Mr. Slater inquired as to the visibility of the geotubes at surrounding communities. Mr. Brougham clarified the lake side of the geotube is exposed during the dry season and with low water levels.

Mr. Cole discussed his opinion of the costs and whether to segment out the work. He explained the benefit of having a single contractor is that the sole contractor is responsible for

everything. Mr. Brougham stated the costs of bundling the project can be considered and noted the potential costs can be discussed when the project is segmented.

Mr. Correia asked if there is any way of predicting where the erosion will occur. Mr. Cole noted the erosion is a function of many factors and that it is difficult to predict. He noted the erosion at surrounding communities and use of littorals.

Mr. Correia asked if all the lakes in District #2 are excavated. Mr. Cole stated the Phase 3 bond area included certain lakes in the bond estimate. The only lakes completed are north of Sandpiper. The lakes within bond areas one (1) and two (2) are complete. Mr. Brougham noted it appears as though erosion is inevitable. Mr. Cole noted 30,000 feet of the lake banks need to be repaired, out of about 130,000 total feet of lake banks.

Discussion followed on the construction of the lakes and the contribution of initial construction to the condition of the lake banks. Mr. Cole noted the requirement of a 4:1 slope during the construction of the lake. He discussed the problem areas throughout the community and noted multiple factors play into the erosion.

Discussion followed on the residents spraying the littoral plantings, as they are often believed to block the view of the lake.

Mr. Cole discussed the options available for District #1, including completing the repairs all at once. He stated, with a 5% interest rate, over five (5) years, the cost is \$1.857 million, with a financing cost of \$216,000. He discussed a phased repair schedule, completing the project over several years, in accordance with the repair priority. The costs could be included in the annual maintenance budget to save financing costs.

Mr. Cole recommended budgeting \$300,000 to address the high priority lake repairs and completing those repairs in geotube. If desired, he recommended riprap for the entry lakes, as they are not adjacent to homes and have easy access. He stated the high priority areas are definitely candidates for the geotube.

Mr. Adams noted the difficulty in obtaining a loan and/or line of credit. He recommended completing the repairs in phases, which, in his experience, the SFWMD would be amenable to, and paying as the work is completed. Mr. Adams discussed the pricing of the repairs and anticipated fair prices in the bidding process. Discussion followed on the use of geotube and Mr. Adams noted the longevity of the geotube.

Mr. Brougham asked if District #1 was under mandate to address the erosion. Mr. Cole confirmed CDD #1 was not. Discussion followed on the risk in not addressing the erosion.

Mr. Brougham requested some alternatives and stated he was not prepared to spend the money. Mr. Cole recommended obtaining bids for the high priority areas.

Discussion followed on how to proceed with the project.

Mr. Pires asked Mr. Cole if any of the SFWMD permits for the issue lakes have been transferred to the District. Mr. Cole responded no. Mr. Pires asked if it was necessary to have the geotube or the erosion control fixed prior to certification and transfer. Mr. Cole responded it was not necessary. Mr. Cole stated the SFWMD noncompliance letter pertains to Fiddler's Creek CDD #2 lakes.

Mr. Slater stated he had a problem with a trial use of a repair method. Mr. Correia concurred and believed that the work can be completed concurrently, to save money. Discussion followed on the competitive bidding process. Mr. Brougham noted each District is in a different financial situation and each District may want to approach the solution differently.

Mr. Cole discussed the prioritization of the areas for District #2 and recommended including \$90,000 in the Fiscal Year 2012 budget to repair the medium and high priority areas.

Mr. DiNardo asked if the District #2 lakes were accepted by the county. Mr. Cole responded affirmatively. Mr. DiNardo noted the erosion issue could stem from construction or maintenance. He noted Mr. Cole has not signed off on any of the bonds for 2003, 2004 and 2005 and there is no engineering report.

Mr. Cole noted the lakes were certified for construction by Collier County. He explained the SFWMD certification went in later and found there is a problem with some of the lakes. Mr. Cole believed the work was completed and acceptable when the lakes were turned over to Collier County. He believed it was a maintenance issue.

Mr. Correia reviewed Mr. Cole's repair priority and asked for a timeframe in which a lake that qualifies as a medium priority becomes a high priority, etc. Mr. Cole discussed runoff between buildings and noted potential areas where low priority repairs could become a medium priority. Mr. Cole noted Lake 88 needs repair soon. Ms. Scott recommended adding \$100,000 to the Fiscal Year 2012 budget for lake repairs. Mr. Adams recommended about \$50,000 for Fiscal Year 2012 budget for high priority lake repairs and in order to provide for other areas of the budget.

Mr. Cole discussed obtaining alternate bids for both Districts.

Mr. Brougham asked if the District #1 Board was comfortable with budgeting \$200,000 in the Fiscal Year 2012 budget, in order to allow Mr. Cole to obtain bid proposals. Mr. Slater, Mr. Curland, Mr. Schutt and Mr. Bergmoser were in agreement. Mr. Bergmoser requested that Mr. Mark Strain be asked if the work should be completed by priority or lake.

Discussion followed on the best approach for the District. Mr. Brougham believed the same method should be used throughout the District.

Mr. Wrathell recalled another District that efficiently used the geotube, in a residential area, and no complaints were received.

Mr. Correia discussed medium priority lakes and completing the lake repair, on entire lakes, at one time. Mr. Cole believed that SFWMD would be in agreement with completing the project through a phased approach.

Mr. Adams asked where the lakes, included in the Notice of Violation, are located in the repair priority. Mr. Cole stated the lakes are classified under different priorities. Discussion followed on the communication with SFWMD and providing adequate information.

Discussion followed on the appropriate budgeted amount for District #2. Mr. Cole stated he can approach the bids with the high and medium areas in mind. Discussion followed on the appropriate budget amount. Mr. Robertson asked if the medium and high priority work would address the lakes in the Notice of Violation. Mr. Cole stated some lakes are included in the low, medium and high priority repair category. He reiterated his belief that SFWMD will be okay with the District's phased approach and explained his plans to request, in writing, notification that the violation will be rescinded or held in abeyance.

Mr. Adams noted the significance of the report and that the report can be provided to SFWMD in an attempt to show the progress of the District. He discussed using the bidding process and a potential contract format.

Discussion followed on the bid process and an estimate for the entire project.

SEVENTH ORDER OF BUSINESS

Review of District's Current Investment Strategy

Mr. Wrathell discussed the Districts' current investment strategy. He recalled the events that have occurred during the current recession, including the collapse of Lehman Brothers. Mr.

Wrathell recalled working with the Chairs to move the funds to additional money market and checking accounts, to ensure FDIC coverage. He noted 12% of the banks are on the FDIC watch list and summarized the number of banks seized by the FDIC. Mr. Wrathell discussed his belief in maintaining a conservative approach with the Districts' investments. He welcomed Board recommendations and/or thoughts on the investments. Mr. Wrathell noted Wrathell, Hunt and Associates, LLC, manages about \$150 million in public funds and has not lost any principal. He noted the State Board of Administration (SBA) fund, associated with the state pension fund, created Fund B to separate the investments backed by mortgage backed securities. Mr. Wrathell noted some governmental entities are still trying to access their funds in the SBA. He referred to Florida Statute 218.415 where the primary objective of local governments is to first, preserve capital, second, ensure liquidity and, then, pursue yields.

Mr. Wrathell recalled issues discovered during the bankruptcy hearings related to the application of the assessment rolls. He proposed reviewing the issues, at no charge, with the contracted firm, in an attempt to rectify any issues. Mr. Brougham and Mr. Correia were in agreement.

EIGHTH ORDER OF BUSINESS

Approval of May 25, 2011 Joint Regular Meeting Minutes

Mr. Adams presented the May 25, 2011 Joint Regular Meeting Minutes for the Boards' consideration and asked for any additions, deletions or corrections. The following changes were made:

- Line 70: Strike "objections" and insert "votes"
- Line 71: Strike "except" and "who"
- Line 256: Insert "after this fiscal year" after treatment
- Line 324: Change "lake" to "lakes"
- Line 359: Change the first "Toole" to "Tool"

On MOTION for CDD #2 by Ms. DiNardo and seconded by Ms. Scott, with all in favor, the May 25, 2011 Joint Regular Meeting Minutes, as amended, were approved.
On MOTION for CDD #1 by Mr. Brougham and seconded by Mr. Bergmoser, with all in favor, the May 25, 2011 Joint Regular Meeting Minutes, as amended, were approved.

NINTH ORDER OF BUSINESS

Other Business

Mr. Robertson reported he received an email from Mr. Torben Christensen regarding the fact that District #2 lacks a financial cushion to fall back on. Mr. Correia stated he contacted Mr. Christensen and that he understood the process that District #2 was going through, including the need for a reserve.

TENTH ORDER OF BUSINESS

Staff Reports

a. Attorney

There being no report the next item followed.

b. Manager

i. NEXT MEETING DATE: July 27, 2011 at 8:00 A.M.

Mr. Adams noted the next meeting is July 27, 2011 at 8:00 a.m., and anticipated continued review of the proposed 2012 budget.

c. Operations Manager

Ms. Crismond provided the Operations Manager Report. She recalled a windstorm of up to 60 miles per hour and summarized the damage in Districts #1 and #2. She noted the replacement trees will be purchased directly from the nursery and installed by TruGreen. She stated the project will be completed in the next few weeks, when the rainy season commences.

Ms. Crismond stated the tree trimming program and right-of-way height clearing are ongoing. Mr. Brougham noted A&D completed work on the parkway. Ms. Crismond stated A&D was contracted for work with the area homeowners association. In response to a question, Ms. Crismond noted the right-of-way height clearance addresses trees over a roadway. Mr. Brougham noted trees extending over the sidewalk and then the road.

Ms. Crismond noted some directional lighting issues at the Veneta entry monument and that Lykins SignTek is working to resolve. She reviewed the patrol service statistics, including 13 total stops; ten (10) issued to residents, one (1) to Staff and two (2) to guests.

Ms. Crismond provided pictures of a littoral shelf planting program at a local community. She recommended including the littoral shelf plantings as part of the program, regardless of erosion.

Mr. Adams noted the current program does not include littoral shelf planting. He discussed the SFWMD plant requirement in which the Districts are required to have one (1) plant per linear foot. He stated the Districts currently probably meet or exceed the certification requirements and noted the water quality benefits from littoral shelf plantings. Mr. Adams discussed the available plant selection.

FIDDLER'S CREEK CDD #2 ITEMS

ELEVENTH ORDER OF BUSINESS

**Consideration of Resolution 2011-3,
Extending the Terms of Office of All
Current Supervisors to Coincide with the
General Election**

Mr. Adams presented Resolution 2011-3 for the Board's consideration. He stated Seats 1, 3 and 4 will be extended by one (1) year to coincide with the general election cycle occurring in 2012. Seats 2 and 5 will be extended by one (1) year, going into a general election cycle, starting in 2014.

On MOTION for CDD #2 by Ms. DiNardo and seconded by Mr. Robertson, with all in favor, Resolution 2011-3, Extending the Terms of Office of All Current Supervisors to Coincide with the General Election, was adopted.

TWELFTH ORDER OF BUSINESS

**Continued Discussion: Fiscal Year 2012
Proposed Budget**

Mr. Adams presented the Fiscal Year 2012 proposed budget for the Board's review. He noted the budget anticipates maintaining the same level of service. He reviewed the administrative line items and noted the insurance line item increased after the insurance company completed a review of the District's facilities. The insurance covers general liability and property of the District.

Mr. Correia inquired as to the ERUs for the on-roll and off-roll billing. Mr. Adams stated the numbers will probably be adjusted by the July meeting.

Mr. Adams reviewed the line items and stated, pursuant to Mr. Cole's lake bank erosion presentation, he included an additional \$82,000, to the original \$42,000, to address the high and

medium priorities. As a result, the assessments would be increased by about \$100. Discussion followed on the proposed assessment amounts.

Discussion followed on the budgeted line items. He recalled discussion on the security services amount. Mr. Adams recalled a change in the approach to contracting the personnel services and noted the realized savings in using the new approach.

Mr. Adams reviewed the irrigation services and tax collector and property appraiser fees. He noted the contingency line item is available to account for unforeseen expenses. Discussion followed on the use of the contingency line and increase in fund balance. Ms. Scott noted the contingency line item is for unforeseen expenses and will probably be utilized during the year so that the deficit is not increased.

Mr. Adams stated the revenues will be reviewed next month, after the bankruptcy hearing. He noted the potential for the payment of past due operation and maintenance funds.

Mr. Adams noted the need for the District to be able to react to emergency scenarios.

Discussion followed on the current requisitions. Mr. Adams confirmed the requisitions are being reviewed by the trustee.

Mr. Wrathell discussed the assessment amount and the need for assessment notice. He stated the assessment will increase and recalled Ms. Scott's request for a reduction in lake bank erosion repair to get to an assessment level of \$1,620. Discussion followed on the appropriate assessment amount. Mr. Correia stated he was comfortable with \$1,650 in order to account appropriately for contingencies and fund balance. Ms. Scott noted \$1,650 would be a 10% increase in assessment.

Discussion continued on the assessment amounts for both Districts and keeping similar assessments for each District. Ms. Scott recommended not increasing the gap between the two (2) assessments. Mr. Adams recalled District #2 has a total build out of 2,800 units; however, currently, there are only 900 units being assessed. He noted the potential for change in the product type due to market demand, as the community is built out. For District #1, the master methodology originally allotted approximately 2,600 units and it was reduced to 2,035. Mr. Adams noted the number of new, built out units for the fiscal year is difficult to predict.

Ms. Scott, Ms. DiNardo and Mr. Correia agreed to an assessment amount of \$1,620. Mr. Adams stated, with the current number of units, the contingency line item is reduced to \$31,000.

He preferred to keep the contingency line item at \$31,000 and capital outlay for the lake project at \$82,000.

THIRTEENTH ORDER OF BUSINESS

Approval of Minutes

- **May 5, 2011 Continued Meeting**

Mr. Adams presented the May 5, 2011 Continued Meeting Minutes and asked for any additions, deletion or corrections. The following changes were made:

Line 153: Change "SARS" to "SARES"

On MOTION for CDD #2 by Mr. Correia and seconded by Ms. Scott, with all in favor, the May 5, 2011 Continued Meeting Minutes, as amended, were approved.

- **May 12, 2011 Special Meeting**

Mr. Adams presented the May 12, 2011 Special Meeting Minutes and asked for any additions, deletions or corrections. The following changes were made:

Line 110: Delete "not"

Line 140: Delete "and"

Line 146 and 147: Change "of" to "in"

Line 163: Change "can" to "can't"

Line 180: Delete "sole"

Line 181: Change "90.11" to "9011"

Line 183: Insert "not" after "was"

Line 203: Change "bondholders" to "Board Members"

On MOTION for CDD #2 by Ms. DiNardo and seconded by Ms. Scott, with all in favor, the May 12, 2011 Special Meeting Minutes, as amended, were approved.

FOURTEENTH ORDER OF BUSINESS

**Unaudited Financial Statements as of
May 31, 2011**

Mr. Adams presented the Unaudited Financial Statements as of May 31, 2011. He noted on-roll assessment collections are at 62%. Mr. Adams believed the remaining on-roll assessments are in a stay, as a result of the bankruptcy. He noted the off-roll assessments are paid by the developer, on a monthly, prorated basis and are current. He noted the current month revenues exceeded the current month expenditures, when you recognize the fact that the legal foreclosure expense, is off set by transfers in from various Bonds. Mr. Adams stated the remaining items were within budget, with the exception of some irrigation related expenses associated with the dry season.

FIFTEENTH ORDER OF BUSINESS

**Audience
Requests**

Comments/Supervisors

Mr. Albeit inquired as to the budgeted amount for legal foreclosure. Mr. Adams explained the legal foreclosure line item is a projection for Fiscal Year 2012. He noted the offset for the expenditure is found on Page 3 of the financials and is shown as a transfer in. Mr. Adams explained the cumulative total of the debt service funds transfer out amounts equal the transfer in amount reflected in the general fund. The differential between the transferred amount in to the expenditure is the cost to the District for the services received from the respective bankruptcy counsel.

SIXTEENTH ORDER OF BUSINESS

Adjournment: Fiddler's Creek CDD #2

There being no further business, the Fiddler's Creek CDD #2 meeting adjourned.

On MOTION for CDD #2 by Ms. Scott and seconded by Ms. DiNardo, with all in favor, the meeting adjourned.

FIDDLER'S CREEK CDD #1 ITEMS

SEVENTEENTH ORDER OF BUSINESS

**Continued Discussion: Fiscal Year 2012
Proposed Budget**

Mr. Brougham asked for the amount of past due, delinquent and operation and maintenance assessments, due from the developer. Mr. Adams stated he does not have a total. He explained the deferred revenue is the past due revenue amount from the prior fiscal year.

Mr. Brougham recommended including \$200,000 for the lake bank erosion control. The Board agreed. Mr. Brougham noted concern for uncompensated litigation costs related to the bankruptcy. Mr. Adams confirmed that the District is being reimbursed for legal-foreclosure expenses recognized as an expense of the bondholders' representation. The differential is the District's representation in the bankruptcy and noted the potential for some form of cost recovery. Discussion followed on the payment of prior year assessments when the bankruptcy process is complete.

Mr. Brougham noted the fund balance, at the start of Fiscal Year 2011, was \$567,501. The proposed Fiscal Year 2012 budget anticipates the fund balance, at the start of Fiscal Year 2012, to be \$429,106. Mr. Brougham noted the best case scenario is the District is paid the past due assessments and reflected as additional revenue. Mr. Wrathell believed the beginning fund balance number would be revised to recognize the receipt of past due assessments.

Discussion followed on the receipt of delinquent on-roll assessments. Mr. Brougham noted concern for the possibility of recouping the legal fees associated with the bankruptcy. He noted the possibility of not receiving any delinquent on-roll assessments or reimbursement for the legal fees.

Mr. Slater asked if the proposed budget can have an asterick that states the incoming dollars are not included in the budget and show the anticipated revenues. Mr. Wrathell stated a footnote can be included in the budget that explains potential revenue. Mr. Slater recommended an additional footnote outlining the possibility of compensation for legal fees. Mr. Brougham concurred and stated he was in favor of disclosing the information. Mr. Schutt noted the footnote is not going to affect the budget.

Mr. Adams reviewed the line items included in the budget. Discussion followed on the actual legal costs for the current fiscal year. Mr. Brougham recommended revising the year-end projections to better reflect current actual on the budget, for discussion at the July meeting. Mr. Adams stated he will update the projected amounts accordingly.

Mr. Slater asked why the 'other contractual' line item increased by \$10,000. Mr. Brougham recalled the District assumed the maintenance responsibility for the 310 acre Belle Meade Conservation area. Mr. Adams recalled Mr. Cole's recommendation to include \$75,000 for the upcoming fiscal year in order to account for maintenance and monitoring of the conservation area.

The Board continued to review the budgeted line items. Ms. Crismond confirmed the landscaping contract will go to bid in fall 2012.

The Board reviewed the access control line items. Mr. Adams explained he adjusted the contractual services number to reflect the change in contracting for personal services. He noted the new approach of the pass-through of actual costs from the Foundation to the District. He noted the recognized savings and actual expenses. Mr. Schutt recommended ending the 24/7 patrol in the community and noted the associated cost is in excess \$200,000 to have the patrol services. He noted the additional costs associated with the Belle Meade area and lake bank erosion control.

Discussion followed on the use of the patrol services. Mr. Albeit noted the use of the rovers in emergency situations. Mr. Slater recalled the recommended revisions to the access control bid specifications and whether the service will go out bid. Mr. Brougham noted the proposed budget presumes that the District stays with the current provider. He recalled the bid specifications needed to be updated and are to be used in the event the District goes out to bid for the services. Mr. Adams confirmed the existing contract contains a termination clause.

Mr. Curland suggested presenting the updated bid specifications at a future Board meeting. Mr. Adams recommended reviewing them at the August or September meeting, as the bankruptcy is anticipated to conclude within the next month.

Mr. Brougham noted the Board cannot make a unilateral decision with respect to access control services. He noted the current, proposed budget is based upon existing knowledge and services. Mr. Brougham discussed the future need for changes in the contract and/or vendor and the need to discuss potential change with District #2.

Mr. Curland noted the new bid specifications include a lot of changes and there are areas that need changes but additional direction is needed. Mr. Brougham proposed holding a workshop, with District #2, to discuss the updated bid specifications. Mr. Curland concurred.

Mr. Brougham did not believe that additional funds should be spent on another vehicle unless it is mechanically broken down. He inquired as to the operating supply costs and requested a breakdown of the costs. Mr. Brougham recommended leaving the contractual service number the same and not spending additional funds on a new vehicle. Mr. Adams reviewed the annual mileage on the vehicles and noted approximately 90,000 miles per year. Mr. Brougham requested the consideration of not purchasing a new vehicle be added as a joint

agenda item. He noted there are no pressing issues with the car and recommended removing the additional vehicle from the budget. The Board agreed.

Mr. Brougham noted insurance is not listed on the budget under irrigation supplies. He stated the District paid \$5,000 under the contingency line item. Mr. Adams anticipated that the cost was a breakout and will be reflected accordingly.

Mr. Brougham noted the footnote included in Page 3 referencing a transfer in amount. He noted the participants of the loan should receive a credit. Mr. Adams confirmed the residents that participated in the loan will recognize a credit in their final, certified assessment bill. Mr. Brougham requested that the residents receiving the credit are notified. Mr. Adams recommended including a paragraph in the appropriate Chapter 197 notices.

Mr. Brougham requested the budget anticipate the District not receiving compensation for the \$80,000 in legal fees. Mr. Schutt asked if the reserve would be increased. Mr. Brougham stated the reserve would be replenished to the amount prior to the ongoing lawsuits.

Mr. Brougham noted the uncertainties in the future, including hurricane damage and possible irrigation issues. He noted the lakes are extremely low and could be forced to use potable water. He stated he would rather restore the funds. Mr. Adams explained it will be reflected as an increase to fund balance and effects the overall revenue appropriations and assessment levy to all the units.

Mr. Curland asked if Mr. Adams' ability to negotiate compensation of legal fees is hindered by the District's budget not anticipating the compensation. Secondly, he asked what the District would do with the funds, if the District is compensated for the legal fees. Mr. Brougham stated the District would have an added fund balance as protection against unforeseen events. Mr. Adams explained, if the District believes the fund balance is sufficient, a decrease to fund balance is possible to reduce future assessments.

Discussion followed on the accrued legal expenses. Mr. Adams noted the legal expenses associated with the civil suits, outside of bankruptcy, have the potential to be recouped, in the event the District wins the cases.

Mr. Adams reported that increasing the legal fee line item to \$100,000 produces a per unit assessment of \$1,293.49. Mr. Adams stated the proposed budget, as reflected in the agenda packet, anticipates an assessment of \$1,139. Mr. Brougham noted that would be about a \$70 increase and proposed having the Fiscal Year 2012 assessment at \$1,300 per ERU. He noted the

current fiscal year assessment was \$1,221.48. Mr. Adams stated if the legal fee line item is \$110,000, the per unit assessment is \$1,299.01. The Board was in concurrence. Mr. Adams explained the proposed assessment accounts for an increase of \$90,000 to the legal fees and \$200,000 for the water management other contractual for the lake bank repair project. Including the discussed changes, the total appropriations would total \$2,427,684, with a per-unit, on-roll assessment of \$1,299.01.

Mr. Brougham requested information as to the cost of converting to potable water if and when the lakes run dry. Mr. Adams did not anticipate much expense in reconnecting the line and that the connection fees, to connect, were already paid to the county. He noted the real cost is in operating. Discussion followed on the potential consumption charges. Mr. Adams recalled the last expense, about seven (7) to eight (8) years ago, cost the District about a quarter of a million dollars a year. He anticipated the fee to double or triple. In response to a question, Mr. Adams stated if the lakes are dry, then the District cannot draw water to irrigate and the landscaping dies. Mr. Brougham noted the District cannot afford to let the landscaping die.

EIGHTEENTH ORDER OF BUSINESS

Approval of Minutes

- **May 11, 2011 Special Meeting**

Mr. Adams presented the May 11, 2011 Special Meeting Minutes and asked for any additions, deletions or corrections.

On MOTION for CDD #1 by Mr. Bergmoser and seconded by Mr. Schutt, with all in favor, the May 11, 2011 Special Meeting Minutes, as presented, were approved.

NINTEENTH ORDER OF BUSINESS

**Unaudited Financial Statements as of
May 31, 2011**

Mr. Adams presented the Unaudited Financial Statements as of May 31, 2011. He noted the assessment collections were at 88% of the budget and anticipated the outstanding, on-roll assessments to be in a stay in the bankruptcy. He noted the legal fees exceed the budgeted amount but are offset by the amount transferred in. He noted the remaining expenditures are within budget.

Mr. Brougham asked why the landscaping contractual amount is 20% below the budgeted amount. Mr. Adams explained a significant portion of the budget pertains to the tree trimming that was recently completed.

TWENTIETH ORDER OF BUSINESS

**Audience
Requests**

Comments/Supervisors'

There were no audience comments or Supervisors' requests and the next item followed.

TWENTY-FIRST ORDER OF BUSINESS

Adjournment: Fiddler's Creek CDD #1

There being no further business, the meeting adjourned.

**On MOTION by Mr. Schutt and seconded by Mr. Bergmoser,
with all in favor, the meeting adjourned at approximately
11:53 a.m.**

**FIDDLER'S CREEK CDD #1 &
FIDDLER'S CREEK CDD #2**

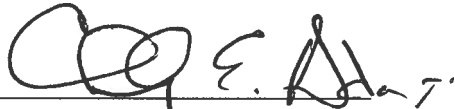
June 22, 2011

Fiddler's Creek CDD #1


Secretary/Assistant Secretary


Chair/Vice Chair

Fiddler's Creek CDD #2


Secretary/Assistant Secretary


Chair/Vice Chair