

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

The Continued Meeting of the Board of Supervisors of the Fiddler's Creek Community Development District #1 was held on **Wednesday, May 13, 2009 at 10:00 a.m.**, at the **Fiddler's Creek Club and Spa, 3470 Club Center Boulevard, Naples, Florida 34114.**

Present at the meeting were:

Phillip Brougham	Chairman
James Curland	Vice Chairman
Jim Schutt	Assistant Secretary
James Robertson	Assistant Secretary
Robert Slater	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Cleo Crismond	Operations Manager
Terry Cole	District Engineer
Anthony Pires	District Counsel
Ron Albeit	Fiddler's Creek Foundation
Mike Charbonneau	Security
Bill Reagan	Raymond James
Alice Carlson	AJC Associates
Joe Parisi	Gulf Bay Development
Mr. OHye	Resident
Dan Murphy	Resident
Jack Perrin	Resident
John Portnoff	Resident
Ms. Portnoff	Resident
Mr. Love	Resident
Mr. Walter	President, Cherry Oaks
Ms. Valerie _____	Resident
Jim Hall	Resident
Jesse Fritz	Resident

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

The meeting was called to order at 10:40 a.m. Mr. Brougham announced that all Supervisors were present at Roll Call.

SECOND ORDER OF BUSINESS**Presentation by District Staff on Current Status**

Mr. Brougham invited Mr. Parisi, of Gulf Bay Development, to speak. Mr. Parisi read aloud a prepared statement addressing concerns about the current financial crisis and its impact on community real estate values and sales. He stated, "We are sure that all the members of the community understand that we are in the grips of a severe real estate crisis, coupled with a severe credit crisis; this couple, which is unprecedented, since the Great Depression. Sales of Fiddlers Creek slowed significantly in the Fall of 2005, which, if you will recall, was when Florida and Southwest Florida, specifically, was hit with a number of Hurricanes. Compounded by the real estate crisis, the decline in sales activity never rebounded after the Hurricane and has continued until 2009. Like you, we hope the real estate market bottoms out, and starts to reverse its course in the near future. However, today neither we nor anyone else are inclined as to when this will happen or how quickly sales will return to their pre-downturn levels. Another factor impacting us is the world-wide financial crisis. Each of our major banks is experiencing varying degrees of difficulty with loan losses and regulators, with most being recipient of tarp funds. Like other financial institutions, our banks are required to mark their assets to market, which we believe seriously undervalues our real estate. Notwithstanding, and unlike most developments, the Developer of Fiddler's Creek maintains substantial equity in Fiddler's Creek and we intend to pursue every avenue to safeguard that equity. However, with little control over the current financial crisis, as you know, very few, if any banks in today's world are making loans, including those accepting Tarp Funds. Nevertheless, we have been working closely with our lenders to address their concerns and related issues, as we work with them in an attempt to restructure our various obligations. Through hard work and ethic, we have developed a very successful and inspiring community here at Fiddler's Creek and a vast majority of homeowners are very happy. Our plan today is the same it has always been, to continue the development of Fiddler's Creek and see our vision fulfilled. Not surprisingly, we have decreased our construction activities, sales presence and some marketing activities to match the current demand. This is a prudent step any confident, operant would undertake. We will continue to work hard to address the issues we face in light of the current real estate crisis and credit crisis. We are exploring a myriad of potential ideas and opportunities and will continue to do so with a view towards continuing the operation of Fiddler's Creek as we know it. It is our intent to do our best to keep our

homeowner's and club member's informed as to any material developments as it relates to Fiddler's Creek. We look forward to your continued support while we work towards credit solutions that fit our needs, with a stronger real estate market on the horizon. I will also point out, as I did at the last meeting, maybe this will help defer further discussions, that we understand, and I think Mr. Brougham brought this up as chairman, that there are actions being taken to the extent that there is a thirty (30) day period for us to continue the work we are doing and we will pay the May assessments for CDD #1 as well."

Mr. Brougham explained that the Board will discuss a short-term cash flow problem in the O&M Fund. He advised that there is another effort going forward to restructure Bonds on the property. He stressed that the Bond refinancing will not affect homeowners, as they are already paying a fixed assessment on the Bond.

Mr. Brougham invited Mr. Reagan from Raymond James & Associates to speak. Mr. Reagan explained that plans are still in place to do restructuring for Districts #1 and #2. He stated that for District #2, they are authorized to restructure the 2002 and 2005 Bonds. The Bondholders want steps taken to eliminate the foreclosure process, before anything further is done. He stated that for District #1, his firm is trying to consolidate some of the Bondholders. Mr. Reagan stressed that the homeowners' lots are not affected, as this Bond restructuring concerns Developer land.

Mr. Brougham stated that this meeting is the Board's opportunity to discuss the facts of the current situation and will postpone a final decision on any Special Assessments until May 27th; however, the Board wishes to discuss initiatives being explored for potential cost savings and worst case scenarios, in case it is necessary to pursue a Special Assessment.

a. On-Roll Tax Payments by Developer and Other Owners

Mr. Brougham explained there are certain properties, owned by the Developer, that are on the Collier County Tax Rolls. He explained that the Developer is in tax delinquency on about 120 properties that are on the Tax Roll; this presents the cash flow shortage issue.

b. Off-Roll Assessment Payments by Developer

Mr. Brougham explained that Off-Roll Assessment means the Developer owns 609 properties within CDD #1, on which the District levies an assessment to operate and maintain the District. He advised that, to date, the Developer is current on these payments. Mr. Brougham stressed the need to assume the worst case scenario, be prudent and discuss how the District will

be operated if no further payments are made. He stated that a Special Assessment will allow the District to continue operating.

Mr. Slater asked Mr. Pires to repeat his comments from the District #2 meeting earlier today, about his possibly excusing himself, if certain items came up. Mr. Pires stated that if the Board decides to initiate any foreclosure proceedings as to any assessments, the District needs to retain counsel to do this, as he will not be involved in this process.

c. Current Balances in All Funds

Mr. Brougham explained that the General Fund 001 is the main Operating and Maintenance Fund and General Fund 002, the Hurricane Wilma Loan Fund. He asked Mr. Adams to outline cash flow for General Fund 001. Mr. Adams referred the Board to the handouts on the General Funds and summarized Accounts Receivable items and Cash Fund Balances.

d. Potential Savings in Expenses against Current Budget

Mr. Adams said Staff has been trying to identify areas for potential cost savings. No cost savings were recognized in Administrative and Field Management; however, where Water Management is concerned, from June 1st through September 30th, Staff recognized a savings of about \$10,000, as the new fountains are saving money. Additionally, Staff recognized \$9,000 in savings on repairs, based on the performance of these new fountains. He said this did not anticipate any shut down of the fountains. He stated that both of these items result in a \$19,000 savings for the remaining four (4) months of the fiscal year. Additionally, Staff recognized a total savings of \$6,000 in street lighting, holiday lighting and contractual fees. For landscaping, Staff saw significant savings by either removing certain Expense items or delaying them. These include tree trimming (\$50,000), mulch supply and install (\$35,000) and plant renovations (\$75,000), for a total of \$195,000 in savings through these proposed cuts or delays.

Mr. Brougham said, in his view, he did not think the potential savings, being proposed, will detract in any way from the look and feel of the community. He says the primary concern is to have enough cash on hand to continue essential items like fertilization, pruning, insect control and maintenance of the landscaping. He advised that both Boards decided to close Sandpiper Gate for 12 hours per day, saving \$22.05 per hour, six (6) days a week, for 17 weeks, June through September 30. This results in a savings of \$27,000. Also, removal of the day shift Roving Patrol will result in a savings of \$21,000. Mr. Adams explained that this is a shared program between both Districts. Additionally, by discontinuing the Street Sweeping Program

and remaining repairs budgeted for roadways, resulted in another \$21,400 in savings. Mr. Adams stated that parks and recreation items, such as pressure washing and replacement of boards at the Boardwalk, could be postponed, for a savings of \$7,500. He stated that all these proposed changes result in a potential savings of \$285,400 for June through September, 2009.

Mr. Brougham invited questions and explained the rules for audience participation.

e. Calculation of Monies Required to Cover Shortfall Until November, 2009

Mr. Adams advised that the proposed savings will result in net Budget Expenditures of \$1,810,696. He explained that \$1,207,130 is the anticipated cash needed to operate until the end of December, with the revised Expenditures. He explained that subtracting the cash-on-hand from the cash needed until cash receipts from the 2010 come in, the shortfall is \$510,706.

f. Calculation of Potential Special Assessments on all ERUs

Mr. Adams said assuming there will be no further off-roll payments from the Developer, along with delinquent ERUs, it is anticipated that 1,174 units will pay the potential Special Assessment. He explained that this figure, divided into the shortfall, gives the responsibility of \$435.01 per ERU.

Mr. Brougham said we are not being asked to pay delinquent property taxes, on behalf of the Developer. He explained that, if the taxes are not paid on delinquent units by May 29th, Tax Certificates will be auctioned by the County Tax Collector. He stated that individual investors buy these Certificates as investments; the Tax Collector processes these payments, and then the CDD portion of assessments flows back to the District. He said if the Tax Certificates are sold, the District's monies will flow back by July or August.

Mr. Slater asked about the current rate of delinquent payments being made. Ms. Carlson, of AJC Associates, Inc., explained that, as of the date she turned this data in, there were 176 delinquent tax bills; however, since the County does not provide a report on these, you need to look up 176 Tax Certificates to see who paid. Ms. Carlson said she will look up any recent payments and email this information to Mr. Adams.

Mr. Curland recalled that previous discussion was held about going unmanned at Championship Drive and maintaining Sandpiper Gate. He asked how the position moved to shutting down Sandpiper Gate. Mr. Adams said the related costs would go away if the Sandpiper Drive Gate is closed. Mr. Adams said Staff looked at having the Championship Drive Gate

provide both services and added that there is additional overhead involved in operating the Sandpiper Gate and its related expenses. Mr. Curland said he had trouble with this proposal.

Mr. Brougham reiterated that the Board will make no firm decisions on this day and is simply gathering information. He agreed that the issue of safety and security is of great concern to residents. He stated that the current landscaper is TruGreen Landcare.

Mr. Brougham said he called the General Manager and made him aware that the District is planning for some financial problems and hoped the company will entertain becoming a better partner with the District during these times. Mr. Brougham said the General Manager authorized him to say the company wants to do whatever they can to help the situation. He advised that the company was receptive to entertaining a percentage discount or reduction on the contract. Mr. Brougham suggested that this is an area that should be explored, as there is potential money to be saved. Mr. Pires advised that the landscape contract provides flexibility to modify the contract or the scope of services.

Mr. Brougham invited audience members to comment.

Mr. OHye asked why the Supervisors have not addressed or challenged the Administrative or Field Management area. He questioned why the Board is not using the common business practice of deciding on a percentage amount to save and then making adjustments accordingly, instead of adjusting by line items.

Mr. Dan Murphy, a resident and President of Cascada, asked if an assessment was done regarding the impact of heavy rain and high winds that could occur during the period of savings being proposed. He asked how old the tax delinquencies are. Mr. Brougham advised that the delinquencies are all current and within this tax year. Mr. Murphy asked if the CDD thought any of the 176 delinquencies will be paid. Mr. Brougham said he was not sure, but reiterated that the Board is planning on receiving no payments.

Mr. Jack Perrin, a resident, asked whether the Tax Certificate sales will reduce the CDD's deficiencies. Mr. Brougham said yes, but pointed out the District will not receive its monies until July or August. Mr. Perrin asked whether the CDD would prepare the potential assessment before or after these monies come in. Mr. Brougham said if there will be a Special Assessment, this will be decided at the June Board meeting. Mr. Perrin asked, "If there is one, when would the residents, who were assessed, get their money back?" Mr. Adams said getting money back will be triggered upon the District's ability to recover these assessments. When the

funds are received from all units, there should be sufficient funds in the system to give credit back to all units. He said the earliest time frame would be early Spring, 2010.

Mr. John Portnoff, a resident of Cascada, said the District's landscaping is unique and beautiful and, in his view, any attempt to make it less will hurt in the long run.

Jesse, a resident, asked what the assessment amount would be, if no cuts were made. It was commented that, with no cuts whatsoever, the assessment would be approximately \$600.

Mr. Schutt commented that budget cuts are always painful and agreed everyone has opinions on what is valuable. He said in the ideal world, everything would be done by a referendum and vote; however, this is a cumbersome process and the elected Supervisors are here to present options to the community.

Mr. Love commented that he had seen Tax Certificates listed in the newspaper and asked about the terms and time frame involved in their sale. Mr. Pires briefly explained the Tax Certificate sale process.

Ms. Portnoff said the real issue is most of the homeowners have left and she was curious as to why such an important meeting was held so late. Mr. Brougham said the Board meeting held on April 22 was the first opportunity to discuss this problem, which was revealed four (4) to five (5) days earlier. He said if the facts could have been gathered sooner, the meeting would have been held sooner.

Mr. Brougham asked Mr. Adams to speak on General Fund 002. Mr. Adams explained that this Fund is the Hurricane Wilma Recovery Loan. He stated that cash-on-hand, as of April 30th, is \$26,831. Mr. Adams advised there is a shortfall of \$188,467 and, with payments due before the 2010 tax receipts; the result is a total shortfall of \$346,738. Mr. Brougham explained that some residents chose to pre-pay their portion and some chose to let it go into the tax roll as part of their assessment. He said those who elected not to pre-pay will become part of this proposed Special Assessment. Mr. Brougham said, if and when a Special Assessment is decided, the numbers will reflect all recent payments. Mr. Adams said that the number of ERUs anticipated to pay the Special Assessment is 962 units. He said this figure, divided into the shortfall, results in a responsibility, per ERU, of \$360.43.

Mr. Brougham asked Mr. Cole for a brief report. He explained that this report will not affect the Special Assessment, if posed. He asked Mr. Cole to speak about construction projects which use Construction Fund monies.

Mr. Cole advised that the Developer is attempting to refinance the bonds and part of this effort is to reduce the bond and exclude some plans and improvements, due to the economic condition. He advised that one (1) item removed was sidewalk connections on Championship Drive, for a cost of \$75,000. Mr. Brougham clarified that the proposal is not to remove projects, but not to go forward, at this time. Mr. Cole added that completion of the platting process at the South Commercial area was deferred. Also, replanting of the Glade area was postponed; however, spraying and clearing of exotic vegetation in this area will continue. Additionally, regarding retainages for previously unpaid invoices for construction work, Mr. Cole said Staff removed the replanting for \$1 million, reduced clearing by \$350,000 and reduced other items by \$100,000. If the bond refinancing goes through, Staff will "recommend that \$1.2 million of work be completed and approximately \$6.5 million could be returned from the Construction Bond that would not be constructed at this time".

g. Timing of Potential Special Assessment

This item was not discussed at this time.

THIRD ORDER OF BUSINESS

Legal Consideration of Tax Delinquency, Assessment (Off-Roll) Delinquency, Bankruptcy and Foreclosures

This item is being carried over to the May 27th Agenda.

FOURTH ORDER OF BUSINESS

Audience Requests

Comments/Supervisors'

Mr. Walter Mehl, President of Cherry Oaks, said he would like to tell his residents that they can get a good summary of what was discussed by checking with CDD #1 in the next few days. He also asked about the process to prepay part of the bond assessment. Mr. Cole said Staff will continue working on projects contained in the \$1.2 million Budget.

Mr. Brougham commented that payment of Management Fees to the Developer was not noted. Mr. Cole advised that Staff received a draft pay draw request the day before for Management Fees; however, these will not be paid. Mr. Pires said the concurrence was that the Board's direction was these not be processed.

Mr. Walter Mehl asked again about the process to prepay the Hurricane Wilma Loan Payment. Mr. Adams recommended contacting AJC Associates, Inc., with questions about payoff of the Loan.

Ms. Valerie _____, a resident, recalled that one (1) year earlier, there was much struggle and fighting involved in opening the Sandpiper Drive construction entrance to reduce traffic on Championship. Part of the concern was the amount of damage being done on Championship Drive. She said, in her view, it would be foolish to close the Sandpiper Drive entrance and go back to how things were previously.

Mr. Brougham said the Board will meet on May 27th, when further information and opinions will be given. The Board will then decide what the next steps are at that point.

Jim Westhall, of Pepper Tree, commented that he has lived in the CDD for a number of years and this is the best meeting he has attended. He said a lot of information was given today and residents need time to grasp everything. He asked if there will be a summary of the meeting. Mr. Brougham stressed that there will be no Special Assessment imposed without a special hearing and Staff will notice residents about this via mail. He stated that a summary of the meeting will be provided on the CDD website.

FIFTH ORDER OF BUSINESS

Adjournment

**On MOTION by Mr. Brougham and seconded by Mr. Schutt,
with all in favor of adjourning.**

The meeting was adjourned at 12:17 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman