

**MINUTES OF MEETING
VISTA LAKES
COMMUNITY DEVELOPMENT DISTRICT**

The regular meeting of the Board of Supervisors of the Vista Lakes Community Development District was held Wednesday, December 10, 2008, at 10:00 a.m. at the offices of Leland Management, 5955 T.G. Lee Boulevard, Suite 300, Conference Room 3002, Orlando, Florida.

Present and constituting a quorum were:

John Rose	Chairman
James Shelton	Assistant Secretary
Ron Cumello	Assistant Secretary

Also present were:

Gary L. Moyer	Manager: Moyer Management Group
Scott Clark	Attorney
Barry Roy	Engineer: Bowyer-Singleton
Lee Smith	Holland & Knight
Gary van der Laan	Leland Management

FIRST ORDER OF BUSINESS

Roll Call

Mr. Moyer called the meeting to order and stated all Supervisors were present with the exception of Mr. Holihan and Mr. Banks.

SECOND ORDER OF BUSINESS

Organizational Matters – Declaration of Board Vacancy for Seats 4 & 5

Mr. Moyer stated there were two seats up for election in November, but no one qualified. Under Chapter 190.006, after the second Tuesday in November, the Board will declare vacancies for those two seats. Therefore, I request a motion from the Board declaring a vacancy in Seats 4 and 5.

Mr. Rose asked does this mean Mr. Shelton is not valid after we make the motion?

Mr. Moyer responded no, he continues to serve until his replacement is selected.

On MOTION by Mr. Cumello seconded by Mr. Rose with all in favor the Board declared a vacancy in Seats 4 and 5.
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Mr. Moyer stated since there are vacancies on the Board, the Board of Supervisors will fill those vacancies by making appointments. At this time, it would be appropriate to entertain a nomination for Seat 4.

Mr. Cumello asked can the Supervisors sitting in those seats vote?

Mr. Moyer responded it would probably be better if they did not vote. You still have a quorum as a two to zero vote is sufficient. Mr. Shelton would have to abstain.

Mr. Rose asked who holds Seat 4?

Mr. Moyer responded Pastor Banks.

Ms. Cumello stated I think we need to advertise these seats.

Mr. Moyer stated you have 90 days from November to fill those seats.

Mr. Cumello stated Pastor Banks is not here and we do not know what his position is as to whether or not he is still interested in serving in his seat. I do not see how we can make a determination at this point. I do not know how the rest of the Board feels.

Mr. Rose asked where do you want to advertise?

Mr. Cumello asked what would be appropriate?

Mr. Moyer responded we can place an advertisement in the newspaper.

Mr. Cumello stated it seems like we overlooked this going back to May or June when it would have been appropriate to say there were elections for CDD seats and therefore, the community would have an opportunity to step up and say they were interested. Since we have a 90 day window, maybe no one will step up except for the Board members who currently hold those seats.

Mr. Shelton stated I agree. We need to give time for people to respond so we give the appearance of total openness.

Mr. Moyer stated we will go ahead and place an advertisement. If the HOA has a website, you may want to place a notice on their website.

Mr. Cumello stated by the next meeting, if we do not have any interest, we know where we stand. At least it is more democratic this way.

Mr. Moyer stated Mr. Shelton continues to serve until there is an appointment. There is no problem with us continuing the meeting.

Mr. Cumello stated Pastor Banks will continue to serve until the Board makes a determination.

Mr. Moyer stated absolutely. To be consistent with the notice that may go on the HOA website and what we publish in the newspaper, do we want to establish a cut off date?

Mr. Cumello responded yes.

Mr. Moyer asked do we want to make the cutoff a week before the next meeting or three days prior to the meeting?

Mr. Cumello responded if you can publish it in the next week.

Mr. Shelton asked will you place a notice on the CDD website as well?

Mr. Moyer responded yes.

Mr. van der Laan asked can you send me a copy of the notice you place in the newspaper so we can put the exact same thing on the website?

Mr. Moyer responded yes.

Mr. Cumello stated I assume Mr. Shelton is still a candidate.

Mr. Shelton stated I will still officially serve.

Mr. Moyer stated I have my direction.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the November 12, 2008 Meeting

Mr. Moyer stated each Board member received a copy of the minutes of the November 12, 2008 meeting and requested any additions, corrections or deletions.

Mr. Cumello stated on Page 3, the sentence "Each document equals \$38.3 million" should be "The total of each document equals \$38.3 million". On Page 6, the word "pubic" should be "public".

On MOTION by Mr. Shelton seconded by Mr. Rose with all in favor the minutes of the November 12, 2008 meeting were approved as amended.
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FOURTH ORDER OF BUSINESS

Consideration of Proposal with American Municipal Tax-Exempt Compliance Corporation for Arbitrage Rebate Services for Series 2007 A-1 & A-2 Bond issues

Mr. Moyer stated this goes back to the 2000 and 2002 bonds. When we refinanced those bonds in 2007, we signed a certificate called an Arbitrage Rebate Certificate, which requires us to annually monitor the interest earnings we are making on the funds in the various bond accounts versus what we are paying in interest to our bondholders. If there is a positive yield or

positive arbitrage, under the 1986 Tax Reform Act, the Federal Treasury wants that money. At one time, it was not unusual prior to 1986 for small governments to do pooled bond funds where they went out and issue hundreds of millions of dollars and would get the benefit of the higher interest rates on the investment return. Basically, some of these municipalities were issuing bonds to make revenue on interest earnings. In 1986, the Federal Government said "No, that is not the purpose of tax free municipal bonds" so they were outlawed, but said "If by chance you do make money, you have to give it to us". In order to do this, we have to do these calculations and that is what this proposal does. From past experience, we used to have this work done by CPA firms such as Ernst & Young and the big accounting firms and the fee was between \$1,200 and \$1,500. AMTEC ended up with a specialty niche where they can do this work by having the software and staff. As you can see from the schedule for the A-1 Bonds on the 2007 Series, the cost is \$500 for the first couple of years and \$300 thereafter and on the 2007 A-2 Bonds, the cost is \$600, which is significantly less than the \$1,200 to \$1,500 we used to pay.

Mr. Cumello asked is this a five year proposal?

Mr. Moyer responded yes.

Mr. Cumello asked is it \$1,100 a year for both the A-1 and A-2 Bonds?

Mr. Moyer responded yes.

Mr. Cumello asked do we have \$1,500 budgeted?

Mr. Moyer responded yes.

Mr. Rose asked are they going to bill us yearly or do we have to pay upfront?

Mr. Moyer responded they will bill you yearly.

Mr. Cumello asked how much interest would accumulate in our accounts in a given year?

Mr. Moyer responded if you are asking for my opinion on whether this makes any sense or not, it does not. You would think that the simple calculation, if you are paying 5.5% on your bonds and earning 1.2% in today's market, we would be permitted to file something saying that, but this is not what the law says so you actually have to go and calculate every return on your investments and then compare that to what your true interest cost is on the bonds. It does not make any sense.

Mr. Cumello asked if we are making 1.25% or \$50 per year, are we paying \$1,100 to demonstrate that we made \$50?

Mr. Moyer responded yes.

Mr. Cumello asked what is the fine?

Mr. Clark responded I do not know the exact amount of the fine, but the real problem is anything that affects the non-taxability of the bonds as you have entered into covenants with your bondholders. Your fine is a default under your bond documents.

On MOTION by Mr. Cumello seconded by Mr. Rose with all in favor the Proposal with American Municipal Tax-Exempt Compliance Corporation for Arbitrage Rebate Services for Series 2007 A-1 & A-2 Bond issues was approved.

FIFTH ORDER OF BUSINESS

Manager's Report

A. Financial Statements

Mr. Moyer stated the financial statements for the period ending October 31, 2008 were provided to the Board in the agenda package. Through the end of October, we have not received any of our assessment money, which is expected, because the tax bills had not been sent out by that time. Therefore, we are living off of our fund balance until we receive tax revenues. I am sure we are getting monies by now.

On MOTION by Mr. Cumello seconded by Mr. Rose with all in favor the financial statements for the period ending October 31, 2008 was approved.

B. Invoice Approval #101

Mr. Moyer stated Invoice Approval #101 was provided to the Board.

On MOTION by Mr. Rose seconded by Mr. Cumello with all in favor Invoice Approval #101 was approved.

C. Discussion of Action Item List

Mr. Moyer stated I provided an action item list to the Board. Item 3 relates to the review of the Offering Documents for the Series 2000 bonds, which Mr. Cumello discussed at the last meeting. I provided to the Board some information, which came from the Offering Documents. The first page relates to the 2000 Series project and came from the Engineer's Report. I think the question was what the money was used for or was supposed to be used for. This identifies prior to the sale of the bonds, what the Engineer anticipated those funds to be used for. I have the same information for the 2002 Series of bonds. The following pages deal with the sources and

uses of the bond funds. We had a lengthy discussion last month, but Mr. Cumello's concern was only \$28 million to \$29 million of bond funds were expended and he wanted to know where the rest of the money went versus the \$38 million collectively in total bonds issued by the District. I guessed the answer, but this shows that the answer was accurate. The difference went to an account called Capitalized Interest and deposits to the Reserve Accounts. The monies are all accounted for and out of \$21,539,000; we only received \$16,575,000 in monies that were actually used for construction. This was for the 2000 bonds. On the 2002 bonds, we issued \$16,710,000 and \$13,322,000 went for the purpose of construction.

Mr. Cumello had a question regarding monies in the Reserve Account being used in the 2007 Series of Bonds. I do not have the exact amount, but Footnote 1 shown on the last page of the document I provided to you says the other legally available funds; \$684,000 on the A-1 Bonds and \$1,044,000 on the A-2 Bonds was comprised of monies in the revenue account in the Debt Service Reserve Account. So it does indicate that monies were in a Reserve Account that were rolled over to the 2007 bonds. I would be happy to research this issue further for Mr. Cumello to be able to tell the exact amount of reserve monies.

Mr. Cumello stated you said when a buyer settles with their builder, there is money coming out of the settlement.

Mr. Moyer stated what traditionally happens in a lot of these deals with the way the bonds are sized is in Day 1, the developer makes a determination of what he thinks he can market to the home buyers and he will say "Given the overall market for real estate in the Orlando area, I think John Rose can pay \$650 a year in principal and interest". The Underwriter then runs a formula where \$650 times the number of units paying the \$650 per year, will generate a total amount of money that can be used for principal and interest to pay a portion of the bonds. Those are what we refer to as the A-Bonds. We go out and market bonds that are maybe half of what the infrastructure cost is because that is all the developer thinks will be borne by the market on the retail side of the sale. What happens to the other half of the money is what is similar to what is called an Acquisition and Development Loan, which you get from a bank. The other half of the infrastructure cost is repaid from the proceeds of the sale. For instance, when the developer collects money from each of the individual purchasers, a portion of this money goes to pay the principal debt allocated on the B-Bonds that were allocated to the unit. When you look at these

Amortization Schedules in these documents, those B-Bonds generally mature in five years or less. Just think of it as paying off the construction loan on your house.

Mr. Shelton asked is that money collected by residents closing on the bonds as opposed to when a developer sells a lot to a builder?

Mr. Moyer responded it varies.

Mr. Clark stated it depends on the terms of the bond issue.

Mr. Moyer stated it can be either way. It can be postponed until it is transferred to the retail purchaser or in some cases, the bond documents are written so when it transfers from the developer to the builder, it pays down.

Mr. Clark stated the other component is the capitalized interest, which is the interest calculated on the bonds for a period of time. I do not know what it was here, but it could be 12 to 24 months. That is drawn down by the bondholders.

Mr. Smith stated it is two years.

Mr. Clark stated that is drawn down as payments of interest become due. The Reserve Account is typically a calculated amount such as 10% of the outstanding bonds or 5% or something in the middle. These look like they were in the middle. The requirement is for the account to be in the amount of the percentage of the outstanding bonds. When payoffs are made, for example when developers sell to builders and reduces the principal of the bonds, there is a credit equal to the percentage of the principal reduced. That is typically given back to the person making the payment. By the same token, if a resident with an A Bond made a prepayment, the same calculation or same percentage would be taken off as a credit to that prepayment. In this instance, according to these documents, when the refinancing was done in 2007; the debt service reserve was replaced with an insurance product. It appears the amount in those accounts got credited to the total principal refinanced. Within that calculation, anyone who still owed amounts on the bonds, whether it be the developer with the B Bonds or the residents with the A Bonds, they received a benefit equal to the amount of the reserve rolled into the refinancing. Otherwise, the refinancing and the assessments would have been higher. We can perform the calculations to see if all of this tracks, but this is the system that was set up.

Mr. Cumello asked when we look at our Debt Service Fund, which we have to track every month, is there another piece to this bond issuance that is covered somewhere else in any reserves? This does not show the reserves.

Mr. Moyer responded no. The reserves are gone. From the 2007 refinancing, we purchased an Insurance Policy with those reserves.

Mr. Cumello stated if I go back to 2006 before the refinancing, there were no reserves in the Debt Service Fund from what I could see. I am looking at the same documents.

Mr. Moyer stated they probably only have the debt service component and not the reserve account.

Mr. Cumello stated the confusion I always had was the total picture of the debt service and any funds in reserves. For clarification purposes, there are currently no reserves and we are going to make \$50 in interest.

Mr. Moyer stated part of it is still cash funded because when you look at the financial statements under assets, there is \$249,000 in a Reserve Fund.

Mr. Clark stated the last page reflects a 2007 A-2 Reserve Account of \$249,625.

Mr. Cumello asked does this mean any interest made from the \$249,625 goes back to the Federal Government?

Mr. Moyer responded no, because we are not triggering the arbitrage. That interest is then transferred to the Revenue Fund, which then goes to pay the principal and interest on the bonds on a semi-annual basis, plus whatever we add to it from the collection of our assessments.

Mr. Rose stated we have to do the arbitrage so we can prove we are not earning interest.

Mr. Moyer stated this is interesting to me. We did these issues eight years ago and frankly, I forgot a lot of that detail. I am enjoying the exercise of hunting all of this information down for you. At the end of the day, I believe it is in everyone's best interest to see how all of this came about and where the money went. That was my only action item. There were some action items for Mr. van der Laan and Mr. Clark.

Mr. van der Laan stated item 5 referred to Progress Energy opening new accounts for the lake aerators. Those were set up under the CDD so we do not have any issue with those. In regards to the letter from the City, I contacted the City of Orlando and they received their check a month ago. My cover letter to them said we will be maintaining those going forward and that sufficed. There is no need to involve the Attorney. The bottom line is we can close out those items.

SIXTH ORDER OF BUSINESS

Attorney's Report

Mr. Clark stated in regards to the SJRWMD Army Corp. of Engineers issue, after the last meeting, I spoke to the Attorneys for SJRWMD while I was meeting with them on another matter. They told me there was ongoing communication and I was advised this morning that SJRWMD is preparing a letter to Army Corp. of Engineers stating their expectations as far as the Army Corp. of Engineers complying with their permits and what they can and cannot do. That should go out within the next few days. I will be provided with a copy and will circulate it.

Mr. Cumello asked could you tell me what was going to be in the letter?

Mr. Clark responded no. I tried to get this information out of them, but they were not forthcoming. I guess we will see all of this when we receive a copy of the letter.

SEVENTH ORDER OF BUSINESS

Engineer's Report

There not being any, the next item followed.

EIGHTH ORDER OF BUSINESS

**Community Association Manager –
Agronomist Report**

A. Activity Report

B. Agronomist Report

Mr. van der Laan stated the monthly Activity and Agronomist Reports were provided in the Board's agenda package. In regards to the work along Chickasaw Trail where we had the washout near the boxes, I met with someone from Orange County last Thursday and they gave me their plan for getting this area repaired. They are actually going to bring in some concrete bags, fill it in and then backfill the space to keep it from washing out. They will pack under the sidewalk area that is washed out. This matter should be resolved in the next week or so.

Mr. Rose asked which area was this?

Mr. van der Laan responded there were two valve boxes along Chickasaw that had a break causing the washouts. We are clearing out some sand from underneath one of the sidewalks and runoff from another 30 foot section.

Mr. Rose asked where is all of the digging was occurring?

Mr. van der Laan responded this was on the opposite side of where all of the Oak Trees went in along the conservation area closest to the Lift Station. I also have copies of the first phase of the re-plantings that are going to be done under the Water Conservation Plan we have been working on. Not everything in this plan is going to happen. I chose four to five areas that

give good coverage of the different types of plants to be used. We are also going to modify the irrigation system for the new section and will see how we get through the Winter with them. Come springtime, we will see about doing the rest. Of course, the first round of new Oak Trees were planted and we have 40 more scheduled in 2009.

Mr. Rose asked is this the right time to plant new material? I noticed two of them are already dying.

Mr. van der Laan responded the two Oaks are under warranty. I was concerned myself about putting the new material in, but they felt comfortable getting them into the ground. Obviously they are under warranty by the landscape company for a year if anything happens to them. I want the plants to go in before the Winter as they will do well before the summertime. They are good Florida native plants. My concern is having them in during the Winter. They should be in within the next week and hopefully they will have a month and a half to establish themselves before it starts getting cold. We will have to see what they do.

Mr. Shelton stated along Chickasaw there is a large open area on the opposite side of the road.

Mr. Rose stated you are referring to the big area by the houses. There are two open areas; one small area in the middle right across from the lake and a big one by a cluster of houses in the north.

Mr. Shelton stated this is an informal area that is open. It does not look overgrown at all. There is a path going to the back of Melrose. I am curious as to why it is there as it invites people to walk into the back end of Melrose. It looks intentional. Please take a look at this.

Mr. van der Laan asked does it seem like an area that was recently cleaned out?

Mr. Shelton responded no.

Mr. Rose stated it has been there forever.

Mr. Shelton stated it looks like it has been cleared out but not recently.

Mr. van der Laan stated I do not know why that was originally done.

Mr. Cumello asked can you give us an update on the irrigation repairs? Has this improved with our new landscaping company? I noticed in the past three weeks irrigation heads have been popped off and water is shooting up into the air. Is Servello & Son making those repairs?

Mr. van der Laan responded yes. The CDD was running \$10,000 a month on irrigation repairs when I first got involved. Right now, we average around \$1,000 a month. We put \$50,000 into the budget for 2009. I suspect we will probably spend \$20,000 on maintenance. The remainder of the money will be for modifications we are making in the water reduction, which is why we budgeted \$50,000. As part of their regular process, they need to run the irrigation system at least once a month. The significant change is by having the same company responsible for the irrigation and the maintenance as any heads damaged by the mowers will be replaced by them at no charge. Prior to this, you were paying for damaged heads. With the exception of underground breaks and valve repairs, we are not paying for simple things.

NINTH ORDER OF BUSINESS

Supervisors' Requests

Mr. Cumello stated we had four failures of the roads within Vista Lakes. Generally this has been associated with the water management system. I spoke to the City about this and they are working on the failure on Champlain Road. Do you know if this road is completed?

Mr. van der Laan responded Champlain is complete.

Mr. Cumello stated this was a major failure where they had to close the road and build a temporary road on CDD and private property to bypass the traffic. The City informed me because of the high water table in Vista East, they do not expect these systems to last as long as they should and they think we are going to have more failures. I am not sure what the impact is going to be on any of the responsibilities of the CDD when it comes to any of the facilities we are still responsible for. This is something we need to be aware of. In 2007, we repaired Vista Lake Boulevard as well as Carlisle, which are in the private road sections and the City was not involved. Champlain is a public road. We may have some future costs based on what the City is telling us.

Mr. Rose asked why would we be liable?

Mr. Cumello responded I think part of those systems we are reserving for. When we do the Reserve Study, we need to take another look. I am pretty sure we fixed Carlisle when we fixed Vista Park Boulevard.

Mr. Shelton stated but not Champlain.

Mr. Cumello stated Champlain is a City street.

Mr. van der Laan stated we know we have an issue because we are on the list with the County for the entrances of Melrose and Chickasaw at Horizons. The County said they will take care of those repairs.

Mr. Cumello asked is this outside of the Melrose gates?

Mr. van der Laan responded it is actually inside of the Horizon Gate. They agreed to it, but have not yet started the repairs so I am holding my breath.

Mr. Shelton asked are you talking about the dip in Chickasaw?

Mr. van der Laan responded this is on Chickasaw at the entrance of Melrose around the drain where the road started to drop. You actually have the same problem on Champlain, but it is not as bad yet. The roadway in Horizons has probably dropped six to eight inches. It is getting real bad. You have CDD roads in Gentry Park in the commercial area. I think those are the roads we reserved for.

Mr. Rose stated those are the only roads we own and we are responsible for. I would think the HOA would have a potential problem.

Mr. Cumello stated the HOA does not own the underground. Either the County or the CDD owns it. The HOA owns the top of the roads. When Carlisle was repaired the road sank six to eight inches and Mr. Roy got involved. They had to install a camera to see that the water management seals had broken and dirt was going into the pipes and losing the integrity of the road. We had the same problem on Vista Park Boulevard in two storm drains. They were not collapsing but dirt was going into them. The CDD repaired both of those.

Mr. Rose stated we do not reserve for them.

Mr. Cumello stated we need to go back and look at the Reserve Study.

Mr. Rose stated the only roads in the Reserve Study were the roads owned by Gentry and the POA.

Mr. Cumello stated the question I had a few years ago was whether there was any type of warranty since the CDD paid for them. The answer I always received was it was up to the County to inspect and accept them, which they did and we basically washed our hands of them.

Mr. Moyer stated all of those contracts would have had warranty provisions, but usually for a year and no more than two years and we are well outside of those warranties.

Mr. Cumello stated it looks like it is a County problem in certain areas and they are going to keep having this problem.

TENTH ORDER OF BUSINESS

Audience Comments

There not being any, the next item followed

ELEVENTH ORDER OF BUSINESS

Adjournment

Mr. Moyer stated I hope everyone has a Merry Christmas.

There being no further business,

On MOTION by Mr. Shelton seconded by Mr. Rose with all in favor, the meeting was adjourned.

Gary L. Moyer
Secretary

John Rose
Chairman