

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS

THE STATE OF TEXAS
COUNTY OF GALVESTON
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT OF
GALVESTON COUNTY, TEXAS

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The board of directors (the "Board") of Flamingo Isles Municipal Utility District of Galveston County, Texas (the "District") met in special session, open to the public, at Harborwalk Yacht Club, 1301 Harborwalk Boulevard, Hitchcock, Texas, on March 8, 2012, at 1:00 p.m.; whereupon the roll was called of the directors, to-wit:

Arnold J. Cross, Jr., President
Ronald Ray Holley, Vice President
Richard Couch, Secretary
Michael L. Andries, Treasurer
Donald P. Tarpey, Assistant Secretary

All members of the Board were present except Director Tarpey. Director Holley entered the meeting in progress. Also attending all or portions of the meeting were Mr. Corey Burton of Municipal Accounts & Consulting, L.P. ("Municipal Accounts"), bookkeeper for the District; Mr. Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest ("ASW"), tax assessor and collector for the District; Mr. Mark McGrath of McGrath & Co., PLLC, auditor for the District; Ms. Carla Christensen, paralegal, of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District; and members of the public. A sign in sheet is attached hereto as Exhibit "A."

Notice of the meeting was posted in accordance with law at the locations and at the times shown on Exhibit "B" attached hereto. The meeting was called to order and the following business was transacted:

1. **Approval of Minutes of February 2, 2012.** Upon motion by Director Andries, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.
2. **Discussion regarding Public Comments from prior meetings.** The President noted that there were no public comments from the previous meeting that needed to be addressed.
3. **Public Comments.** There were no comments from the public at this time.
4. **Hear presentation from proposed new developer of Harborwalk development and consider actions requested by such developer, including Amended and Restated Master Financing Agreement between the District, Harborwalk, LP and Legend**

Communities. The President reported that Legend Communities is no longer actively pursuing the purchase of the Harborwalk property.

Director Holley entered the meeting at this time.

In response to a question from the President, Ms. Christensen noted that Legend Communities was billed for the District's legal costs associated with the Amended and Restated Financing Agreement, but no payment has been received to date.

5. **Engage auditor for fiscal year ending March 31, 2012.** Mr. McGrath presented to and reviewed with the Board the proposed auditor engagement letter for the fiscal year ending March 31, 2012 and his firm's qualifications, copies of which are attached hereto as Exhibit "C." Mr. McGrath then reviewed with the Board the process of auditing the District's books. Mr. McGrath stated that the estimated auditing fees for fiscal year ending March 31, 2012 will be approximately \$9,100. He noted that the auditing fees have remained the same over the previous five years. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to engage McGrath & Co., PLLC to perform the District's audit for fiscal year ending March 31, 2012 and to authorize the President to execute the auditor engagement letter.

6. **Discuss and take necessary action in connection with 2012 property value challenges (for commercial property and Harborwalk Section 6 lots).** The Board reviewed the Resolution Authorizing the Petition Challenging Appraisal Records, a copy of which is attached hereto as Exhibit "D." Ms. Bryant noted that once the preliminary values for 2012 are released, ASW will submit the Resolution and Petition Challenging the property values. Upon motion by Director Andries, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing the Petition Challenging Appraisal Records. It was the consensus of the Board that ASW prepare a comparison summary of the property values over the last few years.

7. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Bryant, who reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "E." Ms. Bryant noted that 94.34% of the District's 2011 taxes had been collected as of February 29, 2012. Upon motion by Director Holley, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to approve the tax assessor and collector's report and to authorize payment of the checks identified therein.

8. **Review Delinquent Tax Attorney report and take necessary action in connection with same.** Ms. Bryant reviewed with the Board the delinquent tax attorney's quarterly status report, a copy of which is attached to the Tax Assessor and Collector's Report.

9. **Bookkeeper's report and payment of bills.** Mr. Burton presented to and reviewed with the Board the Board the Bookkeeper's Report for the period ending March 8, 2012 and the quarterly investment report, copies of which are attached hereto as Exhibit "F." Upon motion by Director Couch, seconded by Director Holley, after full discussion and the

question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and to authorize payment of the checks identified therein.

10. **Engineer's report and authorization of capital improvement and maintenance actions, including change order on dredging contract.** The President recognized Mr. Michna, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Michna presented to and reviewed with the Board the previously adopted 20-year and five-year maintenance budgets, copies of which are attached to the Engineer's Report. The Board discussed the five-year maintenance budget and the estimated engineering expenses for fiscal years 2013, 2014 and 2015.

Mr. Michna presented to and reviewed with the Board a revised map and list of 2012 bulkhead repair items and locations, a copy of which is attached hereto as Exhibit "H." Mr. Michna noted that the bid for the bulkhead repairs came in at \$60,854.08, which exceeds the budgeted \$50,000. The Board discussed decreasing the 2012 bulkhead repair expenses to \$40,000. Mr. Michna stated that he has proposed repairs at "level 1" locations (locations most in need of repair). Mr. Michna stated that the level one locations and the Largo - W. Boat Slip location will cost approximately \$35,251.20. It was the consensus of the Board to add the necessary repair at the Marina. Extensive discussion ensued regarding the budget.

11. **Approve pay estimates, change orders and final acceptance of projects, as necessary.** Mr. Michna stated that there are no pay estimates or change orders at this time.

12. **Adopt budget for fiscal year ending March 31, 2013.** The President recognized Mr. Burton, who presented to and reviewed with the Board a draft budget for fiscal year ending March 31, 2012, a copy of which is attached hereto as Exhibit "I." After discussion, the Board directed the bookkeeper to estimate an annual increase of \$5,000 in maintenance tax revenues for the next five years. Following further discussion, it was the consensus of the Board to reduce the following budgeted numbers:

- a. decrease the bulkhead repair expenses from \$50,000 to \$42,500;
- b. eliminate \$7,500 for bulkhead cap repairs;
- c. decrease the Engineering-Construction Administration from \$5,000 to \$4,000; and
- d. decrease the AWBD expenses from \$1,000 to \$500.

Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to approve the budget for fiscal year ending March 31, 2013, as discussed.

The Board then discussed the five-year maintenance budget for engineering projects. It was the consensus of the Board that the bulkhead repair expenses for 2013-2015 be revised to \$40,000 and that the dredging and surveying expense for 2015 be revised to \$110,000.

The Board decided that the 20-year maintenance budget requires too much speculation and decided to eliminate the 20-year maintenance budget. Upon motion by Director Couch, seconded by Director Holley, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Andries to coordinate with the engineer and bookkeeper to prepare a new five-year maintenance budget for fiscal years 2013 through 2017.

13. **Award contract for bulkhead repairs, including execution of contract for sign and buoy installation.** Upon motion by Director Holley, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for level 1 bulkhead repairs, including the Largo – W. Boat Slip location and the Marina location, to Shirley & Sons Construction Co., Inc. for an amount not to exceed \$42,500 and to authorize execution of the contract by the President. Upon motion by Director Holley, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to authorize payment to Shirley & Sons following inspection of the work by Mr. Michna and the President.

14. **Status report regarding installation of “no-wake” signs and buoys.** The Board then discussed the missing buoys and the need for additional “slow/no wake” signage. The President reported that Director Tarpey coordinated with Mr. Dolan and others to have the necessary buoys and additional signs installed. The Board discussed issuing a letter of gratitude to Mr. Dolan and the others who helped install the buoys and signs. Director Couch stated that he will prepare a letter to Mr. Dolan and all those who helped install the buoys and signs at no cost to the District. It was the consensus of the Board that the letter also be posted on the District’s website. Director Couch stated that once he has drafted the letter, he will provide it to Ms. Christensen for posting on the website.

15. **Discuss and take necessary action in connection with post-recovery disaster contract.** Mr. Michna reported that he contacted the City of Hitchcock (the ‘City’) engineer to determine the status of any existing post-recovery disaster contracts that the City has in place. Mr. Michna stated that he has not received any response to date, but he will continue to coordinate with the City’s engineer to ensure that the City will include the District in any advertisement for bids for a post-recovery disaster contract.

16. **Review website traffic report.** Ms. Christensen reported that she will email a summary of the most recent website statistics to the Directors. It was the consensus of the Board that Ms. Christensen email the quarterly website statistic reports to the Directors and not include the website traffic report as an agenda item in the future.

17. **Confirm next meeting date.** It was the consensus of the Board to tentatively schedule the next Board meeting for Thursday, June 7, 2012 at 1:00 p.m. at 1301 Harborwalk Boulevard (Yacht Club). The President stated that he will confirm that the Yacht Club will be available for the meeting.

18. **Document Public Comments for next Board meeting discussion.** The President noted that there were no public comments that need to be addressed for the next Board meeting.

19. **Other Matters.** There were no other matters to come before the Board at this time.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.


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The foregoing minutes were passed and approved by the Board of Directors on June 7, 2012.



President, Board of Directors

ATTEST:



Asst Secretary, Board of Directors
(DISTRICT SEAL)

