

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 Floyd's on the Water, 1301 Harborwalk Boulevard, Hitchcock, Texas, on October 25, 2013 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
Jane O. McKenzie, Assistant Secretary

All members of the Board were present except Director Holley. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest ("ASW"), tax assessor and collector for the District; Mr. Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Ms. Sissy McCoy of Municipal Accounts & Consulting, LP, bookkeepers for the District; Mr. Haythem Dawlett of Legend Communities, Inc. ("Legends"), Developer for the District; Mr. Brett Floyd, owner of the Marina and Floyd's on the Water; Ms. Carla Christensen, paralegal, of Fulbright & Jaworski LLP ("F&J"), a member of Norton Rose Fulbright, attorneys for the District; and Ms. Marian Cross, a District resident.

Notice of the meeting was posted in accordance with law at the locations and at the times shown on Exhibit "A" attached hereto. The meeting was called to order at 1:05 p.m. and the following business was transacted:

1. **Approval of Minutes of August 9, 2013.** Proposed minutes of the meeting of August 9, 2013, previously distributed to the Board, were presented for review and approval. 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 stated that there were none.

3. **Public Comments.** The President recognized Ms. Cross, who reviewed with the Board a written statement regarding her opposing view to statements made by Director McKenzie at the August 9, 2013 Board meeting, a copy of which is attached hereto as Exhibit "B." Ms. Cross requested that her statement be entered into the minutes.

4. **Public hearing on tax rate.** The President opened the hearing on the proposed 2013 tax rate. There were no comments on the proposed tax rate and the public hearing was closed.

Mr. Dawlett stated that, in the future, the Board will need to consider increasing the District's debt service tax rate to allow for developer reimbursements. Extensive discussion ensued regarding the timing of future developer reimbursements and the issuance of bonds. Mr. Dawlett stated that he will coordinate with the District's financial advisor regarding future developer reimbursement and increasing the District's debt service tax rate.

5. Adopt Order Setting Tax Rate and Levying Tax for 2013. The Board reviewed the Order Setting Tax Rate and Levying Tax for 2013, a copy of which is attached hereto as Exhibit "C." Ms. Bryant reported that the Notice of Public Hearing on the Tax Rate was published. Upon motion by Director Couch, seconded by Director McKenzie, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2013, thereby levying a tax rate of \$0.5875 per \$100 assessed valuation (\$0.3775 for debt service and \$0.21 for operations and maintenance).

6. 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 "D." She noted that the District had collected 99.18% of its 2012 taxes as of September 30, 2013. Upon motion by Director Couch, seconded by Director Andries, 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 by Ms. Bryant.

In response to a question, Ms. Bryant noted that the latest Galveston County supplement to the tax roll states that \$66,100,000 of the District's value is certified with \$1,400,000 uncertified.

7. Review delinquent tax attorney's report and take necessary action in connection with same. There was no delinquent tax attorney's report at this time.

8. Developer's Report. The President recognized Mr. Dawlett, who reported on development in the District. Mr. Dawlett reported that all the lots valued at less than \$100,000 have been sold. Mr. Dawlett stated that Legends plans to purchase the old Harborwalk sales building and develop it as a lodge.

In response to a question, Mr. Dawlett stated that Legends will coordinate with the District's engineer to provide a 30-foot by 30-foot protected storage area for the District to keep extra bulkhead cap boards and buoys.

Mr. Dawlett stated that Legends continues to negotiate a term sheet with an equity company for funding/investment of future District projects and amenities.

In response to question from Director Cross, Mr. Dawlett and Mr. Floyd stated that they are planning to have 'private property' signs installed along the entrance roadway, which the game wardens plan to strictly enforce. Mr. Dawlett stated that he is coordinating with the police regarding the speeding along the entrance roadway.

Mr. Dawlett reported on the Island at Harborwalk development currently under construction. Discussion ensued regarding the utilization of dredging materials for the Island development.

Mr. Dawlett stated that Legends plans to prepare a schedule of development plans for the Board.

Mr. Floyd requested that the Board inform him of any complaints in connection with the restaurant.

9. **Bookkeeper's report and payment of bills.** The President recognized Ms. McCoy, who reviewed with the Board the Bookkeeper's Report dated October 25, 2013, the budget comparison, and the investment report, copies of which are attached hereto as Exhibit "E." 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 Bookkeeper's Report, to authorize payment of the checks identified therein, and to approve the Investment Report.

10. **Adopt Resolution Reviewing and Making Changes to the Investment Policy and Revising the List of Authorized Brokers.** The Board reviewed the Resolution Reviewing Investment Policy, including a list of authorized brokers, a copy of which is attached hereto as Exhibit "F." Ms. Christensen stated that no changes to the Investment Policy are recommended at this time. Upon motion by Director McKenzie, seconded by Director Couch, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Reviewing the Investment Policy and the list of authorized brokers.

11. **Engineer's report and authorization of capital improvement and maintenance actions.** 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."

a. **Review and approval of incidental repairs.** Mr. Michna reviewed with the Board a summary of incidental bulkhead repairs performed by Marine, Inc., a copy of which is attached to the Engineer's Report. Mr. Michna noted that the repairs cost \$2,150. Mr. Michna recommended approval and payment of the invoice for the repairs.

Discussion ensued. Mr. Michna stated that he will coordinate with Director McKenzie and prepare a comprehensive database/summary of all bulkhead repairs made to date and the location of such repairs.

It was noted that of the \$5,000 budgeted for 2013 bulkhead repairs, there is a balance remaining of \$2,850. It was the consensus of the Board that such balance be utilized to repair any new construction bulkhead damages reported by the HOA to Mr. Michna.

Discussion ensued regarding damage to bulkheads and deadmen anchors during new construction. It was the consensus of the Board that Mr. Michna coordinate with the current homebuilders and request that the homebuilders have their pile driver contractors contact Shelmark at least 48 hours prior to driving pilings to ensure that the pilings are not too close to the deadmen anchors. Mr. Michna stated that once he is notified, he will inspect the piling locations before and after the work for any damage. Mr. Michna stated that if there are damages, he will obtain an estimate for repairs.

In response to a question from Director McKenzie, Mr. Michna stated that he prepared and sent an invoice to the City of Hitchcock in connection with the malfunctioning flushing valve on Water Key and for the damages the malfunction caused to the District's bulkhead. Mr. Michna stated that there has not been a response from the City of Hitchcock.

Discussion ensued. It was the consensus of the Board that F&J prepare a cover letter and send the invoice to the City of Hitchcock requesting payment for the damages. Mr. Michna stated that he will provide F&J the contact information for the City of Hitchcock.

b. Authorize annual bulkhead inspection. Mr. Michna requested Board approval for the annual bulkhead inspection to be conducted in January 2014 at a cost of \$5,000.

Mr. Michna reported that Legends is aware that the District is interested in possibly using the new Island at Harborwalk development as a future dredging disposal site.

Director Cross requested that Mr. Michna provide the homeowner on Sugar Loaf with the depth of water at the location of the residence.

Upon motion by Director Couch, seconded by Director McKenzie, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to authorize payment to Marine, Inc. for the incidental bulkhead repairs in the amount of \$2,150, and to authorize Shelmark to proceed with the annual bulkhead inspection at a cost not to exceed \$5,000.

12. Review and approve bulkhead repair schedule for posting on website. The Board reviewed the proposed bulkhead repair schedule and a summary of the schedule, copies of which are attached hereto as Exhibits "H" and "I." Discussion ensued. Upon motion by Director Couch, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposed bulkhead repair schedule and to authorize posting of both the full schedule and summary on the District's website.

It was the consensus of the Board that the summary of the bulkhead repair schedule be posted on the District's website homepage with a link to the more "in-depth" schedule. The Board also requested a statement be included on the website that informs homeowners that they can contact the District to report any damage to facilities.

13. Discuss and take necessary action in connection with receipt of website correspondence and emails. There was nothing further to report in connection with the District's website.

14. Confirm next meeting date. It was the consensus of the Board to tentatively schedule the next Board meeting for Friday, February 7, 2014 at 1:00 p.m. at 1301 Harborwalk Boulevard (Floyd's on the Water).

15. Document Public Comments for next Board meeting discussion. The President noted that there was the statement from Ms. Cross to discuss at the next meeting, if necessary.

16. 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 February 7, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

