

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 §

The board of directors (the "Board") of Flamingo Isles Municipal Utility District of Galveston County, Texas (the "District") met in regular session, open to the public, at Floyd's on the Water, 1301 Harborwalk Boulevard, Hitchcock, Texas, on May 8, 2015 at 1:00 p.m.; whereupon the roll was called of the directors, to-wit:

Jane O. McKenzie, President
Ronald Ray Holley, Vice President
Arnold J. Cross, Jr., Secretary
Michael L. Andries, Treasurer
Mac DeLaup, Assistant Secretary

All members of the Board were present, except for Director Holley who entered the meeting in progress, and Director Andries. Also attending all or portions of the meeting were Mr. David Patterson 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. Cindy Grimes of Municipal Accounts & Consulting, LP ("Municipal Accounts"), bookkeepers for the District; Mr. Hunter Fendley of Legend Communities, Inc. ("Legends"), developer for the District; Ms. Marian Cross, Ms. Arlene Catania, Mr. Matthew Chiara, and Mr. Bob Hargrove, District residents; and Ms. Emerald Lagow, paralegal, of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District.

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 1:15 p.m. and the following business was transacted.

1. **Discussion regarding public comments from prior meetings.** The President referred to the comments made by Ms. Cross at the previous meeting. She then reviewed a statement concerning presenting comments at District meetings.

2. **Public Comments.** The President recognized Ms. Catania, resident in the District, who noted her surprise at finding that the District does not offer a homestead tax exemption. She noted that the other taxing entities offer homestead exemptions for persons over 65 years of age or older, and asked that the Board consider implementing such an exemption. The President noted that the District is in the process of building its tax base, and will consider offering tax exemptions when it is feasible from a financial standpoint.

3. **Minutes.** Proposed minutes of the meetings of February 13, 2015 and March 6, 2015, previously distributed to the Board, were presented for review and approval. Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put

to the Board, the Board voted unanimously to approve the minutes of March 6, 2015 as presented.

Discussion ensued regarding the minutes of the special meeting on February 13, 2015. Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the special meeting of February 13, 2015 as presented.

4. **Developer's Report.** The President recognized Mr. Fendley, who updated the Board on the status of development in the District. He reported that the refinancing of Harborwalk had been completed. In response to a question from the Board, Mr. Fendley stated that Legends is considering a hunting and fishing lodge on the property at the north gate. He noted that Legends plans to sell the property to Brett Floyd and Haythem Dawlett, who will own and manage the development as a separate entity.

5. **Tax Assessor and Collector report and payment of bills.** The President recognized Mr. Patterson, who reviewed with the Board the Tax Assessor and Collector's report, a copy of which is attached hereto as Exhibit "B." Mr. Patterson noted that the District collected 74.87% of its 2014 taxes as of April 30, 2015.

Mr. Patterson reported that the Harris County Appraisal District ("HCAD") provided a preliminary report of taxable value in the District for 2015, a copy of which is attached to the Tax Assessor/Collector's Report. He stated that the District's preliminary net taxable value is \$90,535,463, noting that such value is calculated prior to appeals.

Mr. Patterson reviewed with the Board an Annual Escheated Funds Report for the period of March 1, 2011 through February 28, 2012, a copy of which is attached hereto as Exhibit "C." He noted that the results of this research showed no abandoned property for the period.

Director Cross stated that, given the increase in the District's taxable value, there is no longer a need to protest 2015 values as previously authorized by the Board in March. Discussion ensued. Mr. Patterson noted that the resolution which the Board approved in March permits ASW to prepare a petition as needed, at the direction of the Board, and therefore no action is needed to rescind this approval.

Upon motion by Director Cross, seconded by Director DeLaup, 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.

6. **Review delinquent tax attorney's report and take necessary action in connection with same.** Mr. Patterson reported that 100% of the District's delinquent taxes has been collected for 2014. He noted that there is no report from the delinquent tax attorney at this time, and that collections will resume on July 1, 2015.

7. **Bookkeeper's report and payment of bills.** The President recognized Ms. Grimes, who reviewed with the Board the Bookkeeper's report dated March 6, 2015, a copy of which is attached hereto as Exhibit "D."

Ms. Grimes presented to and reviewed with the Board a quarterly investment report for the period ending March 31, 2015, a copy of which is attached to the Bookkeeper's Report.

Ms. Grimes presented to and reviewed with the Board a revised budget for the fiscal year ending March 31, 2016, a copy of which is attached to the Bookkeeper's Report. She reviewed a list of changes, which include: the addition of a line item for channel markers with a budget of \$4,000, a maintenance dredging budget of \$25,000, and a special project dredging budget of \$115,000.

In response to a question from Director Cross, Ms. Grimes stated that bookkeeping fees include a monthly fee covering basic services, as well as an hourly fee for interactions with District consultants which is billed at a rate of \$60 per hour. In response to questions from Director Cross, Ms. Grimes stated that the legal invoices presented for approval today cover a two-month period, and confirmed that such invoices are pro-rated over 12 months. Discussion ensued regarding invoicing delays. Ms. Grimes noted that once an audit is closed for a fiscal year, she is no longer able to adjust invoicing. Director Cross requested that invoicing to the District be submitted within the corresponding fiscal year. Ms. Grimes noted she will send a reminder notice to District consultants to ensure invoices are submitted on a timely basis.

Discussion ensued regarding the District's website. Ms. Lagow stated that she will notify the website coordinator to revise the name of the District's 2014 audit, currently labeled as the audit for 2013.

Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's report and authorize payment of the checks identified therein.

8. Adopt Resolution Approving Use of Letter of Credit, and approve Letter of Credit Agreement with Compass Bank. Ms. Grimes reported that Compass Bank is requesting that the District approve the use of a letter of credit from the Federal Home Loan Bank of Atlanta ("FHLB") as collateral for District deposits in excess of the Federal Deposit Insurance Corporation insurance coverage limit of \$250,000. She noted that Municipal Accounts would hold the District's letter of credit, and draw on the letter of credit in the event that Compass Bank is unable to honor the District's draw request on District accounts.

Upon motion by Director DeLaup, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution and to approve the Letters of Credit Agreement with Compass Bank, copies of which are attached hereto as Exhibits "E" and "F."

9. Discuss procedure for new construction within District easements. The President recommended that the Board table this item until Director Andries is present. In response to a question from Director Cross, Mr. Michna stated that the Guidneys submitted construction plans which confirm that the pool and related construction is not within the District's five foot maintenance easement. He noted that, as planned, only three feet of the pool's depth is below ground level.

Discussion ensued regarding the memorandum from the District's attorney regarding bulkhead maintenance easements on Harborwalk lots, a copy of which is attached hereto as Exhibit "G." Director Cross noted his concern regarding the District's obligation to repair any structures that are damaged when accessing the easements for maintenance.

Director DeLaup proposed that the Board take action to indemnify the District against losses relating to maintenance of its facilities within ten feet of the Harborwalk channel.

Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the attorney to draft the necessary documents to indemnify the District against losses arising from maintenance of the bulkhead, including tie-backs and deadmen located on the Guidrys' property.

10. 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 "H."

a. Discussion regarding prioritization, notification procedure, and adjustments to scope of bulkhead repairs. Mr. Michna stated that he would like to discuss the procedure for prioritizing bulkhead repairs in the District in light of the recent concerns regarding the safety of the Marina Wall. He noted that the cost to repair the Marina Wall would subsume the District's budget for repairs before addressing the requests received from District residents.

Mr. Michna reviewed a list of bulkhead repairs requested by District residents, a copy of which is attached to the engineer's report. Director DeLaup noted that he found a sinkhole near his boathouse and requested that the engineer add that item to the list. Mr. Michna stated that he will bring a summary of Shelmark's procedure for bulkhead maintenance to the next meeting for review.

Director Holley entered the meeting at this time.

b. Marina Bulkhead Repairs. Mr. Michna presented to and reviewed with the Board a quote from Marina Bulkhead to repair 1,200 linear feet of bulkhead caps for an estimated cost of \$38,500, a copy of which is attached to the engineer's report.

c. Main Channel Dredging. Mr. Michna noted that the Board previously awarded the contract for dredging of the Harborwalk Main Channel to Rodriguez Brothers Dredging for \$114,800. Mr. Michna reported that he met with the dredging contractor last Thursday, who will be mobilizing to complete dredging the main canal for the same price as initially bid. Mr. Michna stated that he is in the process of updating the District's Army Corps permit, and that the contractor will need to dredge the canal mechanically and haul the dredged soil from the site, instead of hydraulically dredging the canal as initially planned. Mr. Michna noted that he will inform the Board when requesting the pre-construction meeting.

Discussion ensued regarding the use of breakwater rocks to mitigate erosion and wall damage caused by wave action off of barge traffic moving through the main channel.

d. **Bulkhead Repairs and Maintenance Dredging.** Mr. Michna reviewed the a list of bulkhead repair invoices from February, 2015 through the present for approval. He noted that the invoices total \$11,553.80. Ms. Grimes noted that the Board approved the payment to Marine Inc. for bulkhead repairs with their approval of checks listed in the Bookkeeper's Report. Upon motion by Director Cross, seconded by Director Holley after full discussion and the question being put to the Board, the Board voted unanimously to authorize the engineer to coordinate additional bulkhead repairs up to \$10,000.

Discussion ensued regarding an invoice for maintenance at Trendmaker's boathouses. Ms. Grimes stated that the check was included her report, and noted that the invoice was expensed in the previous year.

Upon motion by Director Cross, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engineer's report.

11. **Discuss and take necessary action in connection with receipt of website correspondence and emails.** Ms. Lagow reviewed with the Board the website summary report, a copy of which is attached hereto as Exhibit "I."

Discussion ensued regarding the timely response to comments left on the District's website. Director Cross noted there should be an understanding of whom is responsible for responding to comments received through the District's website to ensure the timely response to residents. Ms. Lagow proposed that she reply to the sender acknowledging receipt and noting that their comments would be logged for discussion at the next Board meeting. The Board agreed.

The President noted that she did not receive the comments logged by Mr. Hargrove and requested that Ms. Lagow check with the website coordinator to resolve the issue.

12. **Confirm next meeting date.** Discussion ensued. It was the consensus of the Board to tentatively schedule the next regular meeting for Friday, July 10, 2015 at 10:00 a.m.

13. **Document Public Comments for next Board meeting discussion.** The Board noted that Ms. Catania's comments regarding homestead tax exemptions in the District will be noted for discussion at the next meeting.

14. **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 July 10, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

