

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
November 4, 2016

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 November 4, 2016 at 10:00 a.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 Director Holley. Also attending all or portions of the meeting were Gary Schilling of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; Donna Bryant of Assessments of the Southwest, Inc., Tax Assessor for the District; Cheryl Steller, resident of the District; and Kathleen Ellison and Jane Maher of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District. Mr. John Howell, financial advisor to the District, joined by telephone.

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 10:00 a.m. and the following business was transacted.

1. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** The President stated that the new District signs have been mounted. She thanked Lynn Watkins and Travis McKenzie for their help in mounting the signs.

2. **Approve Minutes of September 9, 2016.** Proposed minutes of the meeting of September 9, 2016, previously distributed to the Board, were presented for review and approval. Upon motion by Director DeLaup, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 9, 2016.

3. **Developer Report.** There was no report.

4. **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 "B." Ms. Bryant noted that the District collected

99.70% of its 2015 taxes as of October 31, 2016. Ms. Bryant presented five checks for the Board's approval.

Upon motion by Director Andries, 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.

5. **Public hearing on proposed tax rate.** The President opened the hearing on the proposed 2016 tax rate. Hearing no comments on the tax rate, the President closed the hearing.

6. **Adopt Order Setting tax Rate and Levying Tax for 2016.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2016, a copy of which is attached hereto as Exhibit "C." Director Andries stated he received an email from the District's financial advisor, John Howell, who suggested the Board consider a total tax rate of \$0.58, with \$0.23 to \$0.24 dedicated for operations and maintenance, and \$0.34 to \$0.35 dedicated for debt service. Director Andries stated that based on the five-year forecast, he would like to increase the maintenance and operations tax to \$0.25.

Director Andries moved and Director DeLaup seconded a motion to adopt the Order Setting Tax Rate and Levying Tax for 2016 with a total tax rate of \$0.58 per \$100 assessed valuation (\$0.34 for debt service and \$0.24 for operations and maintenance). Discussion ensued.

Director Cross proposed that the Board consider a total tax rate of \$0.57 per \$100 assessed valuation by lowering the debt service to \$0.33. Mr. Howell joined the meeting via telephone. Director Cross asked Mr. Howell how lowering the tax rate would affect the interest rate on the new bonds. Discussion ensued. Mr. Howell stated that if the District lowered the debt service tax rate, it would not impact the interest rate on the new bonds but may reduce the size of the bond issue. He said the District might have to increase the debt service tax rate in the future.

Director Andries suggested as a compromise keeping the total tax rate at \$0.58 but increasing the maintenance and operations tax rate to \$0.25. Upon motion by Director Andries, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted to reject the previous motion. Upon motion by Director Andries, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted (3-1 with Director Cross voting no) to adopt the Order Setting Tax Rate and Levying Tax for 2016 with a total tax rate of \$0.58 per \$100 assessed valuation (\$0.33 for debt service and \$0.25 for operations and maintenance).

7. **Approve Amended District Information Form.** Ms. Ellison stated that since the District's total tax rate did not change, the Board can disregard this item.

8. **Bookkeeper's report, including payment of bills, and review of budget and investment report.** The President recognized Ms. Grimes, who reviewed with the Board the Bookkeeper's report dated November 4, 2016, a copy of which is attached hereto as Exhibit "D."

Ms. Grimes presented checks 1527 through 1532 checks for the Board's approval. She stated that she will update the five year forecast to show the District's new tax rate. She presented a new signature card for the Board to sign.

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

9. **Engineer's report:** The President recognized Mr. Schilling, who presented to the Board the Engineer's report, a copy of which is attached hereto as Exhibit "D."

a) review and discuss results of inspections.

1) **pre-development** – Mr. Schilling stated that there are no actions to report under pre-development.

2) **new construction** – Mr. Schilling stated that there are no actions to report.

3) **dredging** – Mr. Schilling presented to the Board the results of the bathymetric survey conducted on the Main Channel. He stated that the mouth and throat of the Main Channel need to be dredged. Mr. Schilling noted that the cost of the bathymetric survey of the Main Channel had increased by \$1,500, and asked for the Board's authorization of the increase in cost. Director Andries stated that he would like Shelmark to contact the President when there are changes in pricing before proceeding. The Board stated that they would like a bathymetric survey of the South Channel to be performed. Upon motion by Director DeLaup, seconded by Director Andries, after full discussion and the question put to the Board, the Board voted unanimously to authorize Shelmark to conduct a bathymetric survey of the South Channel at a cost not to exceed \$4,000, and to authorize the additional \$1,500 for the bathymetric survey of the Main Channel.

b) request authorization for repairs. Mr. Schilling requested permission to proceed with maintenance dredging of the Main Channel with a budget not to exceed \$20,000. He proposed digging sediment basins at both ends of the channel. He said the dredging would be done by excavator and barged to the spoil site. Upon inquiry from Director Cross, Mr. Schilling said the mobilization charge is estimated at \$5,000. The Board then discussed the feasibility of doing more dredging to optimize the amount of work performed in the mobilization. Director Andries proposed authorizing Shelmark to spend up to \$50,000 for dredging on both channels. He noted this would leave \$10,000 in the budget for spot dredging. 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 direct Shelmark to develop a dredging plan and to solicit proposals to perform dredging of the portions of the Main and South Channels most in need of dredging at a cost not to exceed \$50,000. Ms. Ellison said the Board would need to meet to approve the proposal.

Director Andries asked Shelmark to talk to the Developer regarding use of an area to be developed as a spoil site.

Mr. Schilling discussed areas where there may be bulkhead problems. He said Marine, Inc. is working on the bulkhead problems in Harborwalk, Section 6.

c) review proposals/bids and award contracts. There were no actions.

d) approve pay estimates, change orders, and final acceptance, as appropriate.

Mr. Schilling stated that there was a discrepancy in Marine Inc.'s bulkhead cap maintenance invoice and they overcharged the District by \$1,800. He noted that the District should receive this money back.

10. Discuss east marina bulkhead and take any necessary action. Mr. Schilling estimated a repair cost of \$196,000 for the east marina bulkhead. The Board then discussed the feasibility of having the Developer contribute to the project and whether the project would be a reimbursable expenditure. No action was taken.

11. Review Summary of Bond Costs for Bond Application. This item was deferred until the next meeting.

12. Discuss appraisals for remaining sections. Ms. Ellison said the appraisals were a responsibility of the Developer and no action was necessary.

13. Other Consultant Reports. The President stated that there is a homeowner who did not follow the HOA's regulations and built concrete steps. The President stated that she would like the District to institute its review process if the HOA allows the concrete steps to remain.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 11:55 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on January 26, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

