

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 February 5, 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 for 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; Ms. Cindy Grimes of Municipal Accounts & Consulting, LP ("Municipal Accounts"), bookkeepers for the District; Mr. Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Mr. Hunter Fendley of Legend Communities, Inc. ("Legends"), developer for the District, Mr. Mark McGrath of McGrath & Co., PLLC, auditor for the District; Ms. Marian Cross and Mr. Justus Tiemann, residents in the District; and Ms. Kathleen Ellison, and Ms. Corey Knight 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 10:08 a.m. and the following business was transacted.

1. **Public Comments.** There were no comments from members of the public.
2. **Minutes.** Proposed minutes of the meeting of November 6, 2015, previously distributed to the Board, were presented for review and approval. 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 approve the minutes of November 6, 2015 as presented.
3. **Engage auditor for the fiscal year ending March 31, 2016.** The President recognized Mr. McGrath, who asked to be engaged as the District's auditor for the fiscal year ended March 31, 2016. Mr. McGrath stated that there are no new accounting standards this year and that the estimated auditing fees will be \$9,100, the same as the previous year. 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 retain McGrath & Co., PLLC to prepare the District's audit for fiscal year ending March 31, 2016 and to authorize the President to execute the auditor's engagement letter, a copy of which is attached hereto as Exhibit "B."

4. **Developer's Report and any necessary action relating to construction projects.** The President recognized Mr. Fendley, who updated the Board on the status of development in the District. Mr. Fendley reported that the bungalow site plan was under design and included 68 units from 1,200 to 2,000 square feet and a wellness center. Director Andries told Mr. Fendley that the Board supports the project.

Director Cross asked Mr. Fendley to address with the builders in Harborwalk the expectations about using roads and maintaining building sites. Mr. Fendley said the Developer was working on an iconic light house on a half-acre site. The Board decided to discuss bond funding after addressing the budget and engineer's report.

5. **Adopt Resolution authorizing additional 20% penalty on delinquent taxes.** Ms. Ellison presented to and reviewed with the Board Resolution Authorizing Additional Penalty on Delinquent Taxes, a copy of which is attached hereto as Exhibit "C." 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 Resolution Authorizing Additional Penalty on Delinquent Taxes.

6. **Consider authorizing tax exemptions (homestead and over 65/disabled).** Director Andries said he had talked to John Howell, the District's financial advisor, and he does not recommend that the District adopt any exemptions at this time. The Board decided to maintain its policy of no exemptions for the current year.

7. **Discuss 2016 property value challenges and adopt Resolution Challenging Values.** Director Andries reported that the Board previously wished to challenge values only to find out the deadline had passed prior to the time it received the values. Director Andries said that the Board should adopt a resolution challenging 2016 property values, which can be used as appropriate once the tax assessor reviews the 2016 property data. 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 a Resolution Challenging Values.

8. **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." Ms. Bryant noted that the District collected 59.90% of its 2015 taxes as of January 31, 2016. She noted that the tax assessor has not finished opening the mail postmarked January 31 or February 1 so the number will likely change.

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 Tax Assessor and Collector's report and to authorize payment of the checks identified therein.

9. **Bookkeeper's report and payment of bills.** The President recognized Ms. Grimes, who reviewed with the Board the Bookkeeper's report dated February 5, 2016, a copy of which is attached hereto as Exhibit "E." 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 approve the Bookkeeper's report, authorize payment of the checks identified therein.

Ms. Grimes also reviewed with the Board a report showing the comparison of fees between Texas First Bank and Compass Bank, a copy of which is attached hereto as Exhibit "F." Following discussion, upon motion by Director Cross, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Grimes to select a District depository bank that best satisfies the District's financial needs without regard to whether it is a local bank.

**10. Adopt budget for fiscal year ended March 31, 2017.** Ms. Grimes reviewed the proposed budget with the Board, a copy of which is attached to the Bookkeeper's Report. Discussion ensued regarding the forecasted amount for Bulkhead Repairs, Bulkhead Cap Repairs, and Maintenance Dredging. It was decided to increase Bulkhead Repairs to \$40,000, increase Bulkhead Cap Repairs to \$7,844 and increase Maintenance Dredging to \$40,000.

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 adopt the budget for fiscal year ending March 31, 2017, as amended.

**11. Renew District Insurance Policy (expires March 4, 2016).** The Board reviewed the insurance proposal from Harco Insurance Services, a copy of which is attached hereto as Exhibit "G." 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 accept the renewal proposal from Harco Insurance Services.

**12. Engineer's report and authorization of capital improvement and maintenance actions.** The Board reviewed the report provided by the District's engineer, a copy of which is attached hereto as Exhibit "H."

**a. Review and discuss results of inspections.** The Board reviewed an updated schedule for new construction inspections, a copy of which is attached to the Engineer's report.

**b. Request authorization for repairs.** The Board reviewed an updated bulkhead repair schedule, a copy of which is attached to the Engineer's Report. Mr. Michna requested that the Board authorize \$10,000 for bulkhead repairs.

**c. Review proposals/bids and award contracts.** There was no action on this item.

**d. Approve pay estimates, change orders, and final acceptance as appropriate.** Mr. Michna requested that the Board authorize payment to Green Light for bulkhead cap repairs for \$1,556.50.

Upon motion by Director Cross, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's report, to authorize Mr. Michna to approve bulkhead repairs in an amount not to exceed \$10,000, to authorize Mr. Michna to approve bulkhead cap repairs in an amount not to exceed \$7,500 and to approve the payment of \$1,556.50 to Green Light.

13. **Consent to Encroachment for 39 Water Key.** Ms. Ellison presented to and reviewed with the Board a consent to encroachment for paving at 39 Water Key, a copy of which is attached hereto as Exhibit "I." Ms. Ellison explained that the consent had been signed by the owners.

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 consent to encroachment at 39 Water Key and to authorize its execution and filing.

14. **Review Arbitrage Compliance Report.** Ms. Ellison presented to and reviewed with the Board the Arbitrage Compliance report dated October 9, 2015, a copy of which is attached hereto as Exhibit "J." Ms. Ellison explained that she will have information regarding the refunding bonds at a later date.

15. **Discuss and take necessary action in connection with receipt of website correspondence and emails.** Ms. Ellison reported to the Board that Ms. Knight has been communicating with the website developers regarding updating the website with current information. Ms. Ellison informed the Board it would cost \$650 to upgrade the website to allow for mobile access. The Board decided to take no action at this time. Discussion ensued over who would be responsible for handling inquiries received from the website. Director Cross stated he would be responsible for responding to any inquiries received from the website.

16. **Attorney Report on New Legislation.** Ms. Ellison reported to the Board that new legislation requires all District vendors with contracts approved by the Board to provide a form to the Board showing the interested parties in the contract. She stated the 1295 form has to be acknowledged by the District within 30 days and her office would be making the acknowledgements. Ms. Ellison also reported that she filed the District's annual filing concerning eminent domain with the Texas Comptroller of Public Accounts.

17. **Developer's Report—Issuance of Bonds.** Director Andries reported on the analysis of a potential bond issue prepared by the District's financial advisor, a copy of which is attached hereto as Exhibit "K." Director Cross asked Mr. Fendley to provide the exact amount the District owes Legends for value created in Sections 1 through 6 under the settlement agreement with the prior developer.

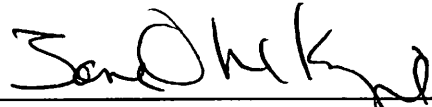
18. **Next meeting dates.** It was the consensus of the Board to tentatively schedule a workshop session with the engineer for Friday, March 11, 2016 at 10 a.m. and the next regular meeting for Friday, April 29, 2016, at 10:00 a.m.

19. **Other matters.** There were no other matters.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 12:58 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on March 11, 2016.



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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

