

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
March 11, 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 special session, open to the public, at Floyd's on the Water, 1301 Harborwalk Boulevard, Hitchcock, Texas, on March 11, 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 Mr. Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Ms. Marian Cross, resident 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 10:06 a.m. and the following business was transacted.

1. **Public Comments.** There were no comments from members of the public.
2. **Approve Minutes.** Proposed minutes of the meeting of February 5, 2016, 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 February 5, 2016 as presented.
3. **Workshop Session with District engineer.** Mr. Michna distributed his report, a copy of which is attached hereto as Exhibit "B."

Director Andries suggested the Board review and modify the 5-year cash flow forecast developed by the bookkeeper and included in the engineer's report. He said the Board should set out a five year project list and prioritize projects. He suggested that the Board distinguish between normal maintenance and catastrophic repairs. He said the Board should include a line item on its forecast for a reserve, which should increase over time.

The Board then discussed the various projects to be included in the five year project list and their costs. Mr. Michna said he sees anchor failures and little holes in the upper third of the

bulkhead in various locations in the District's system. He said bulkhead repairs increase due to age. The Board decided to increase the bulkhead repair budget to \$40,000 in fiscal years 2018 and 2019 and to \$50,000 in fiscal years 2020 and 2021.

Mr. Michna discussed bulkhead caps. He said the whalers are deteriorating and now four inch screws are needed to screw into good wood. Director Cross suggested that bulkhead caps can be nailed instead of screwed on, resulting in cost savings. It was noted that bulkhead caps are supposed to pop off in an extreme event. Director Andries suggested that bulkhead caps be repaired more frequently and suggested an increase in the bulkhead cap repair budget in fiscal year 2018. The Board also discussed caps which have grates. The Board decided to change the bulkhead cap repair budget to \$10,000 in fiscal year 2018, \$5,000 in fiscal year 2019, \$3,500 in fiscal year 2019 and \$3,500 in fiscal year 2021.

Mr. Michna said he thought the projected expenses for channel markers were adequate.

The Board discussed the dredging budget. Mr. Michna said because the District does not have a spoil site it can use, the numbers in the current forecast are questionable. Director McKenzie said the District should continue to use the spoil site on Harborwalk, Section 6, to the extent possible, and that Trendmaker should be informed of the need to add more spoil to the site. Mr. Michna said he hoped the District could coordinate its dredging with the dredging of the Intercoastal Waterway and obtain cost savings. The Board decided to increase the maintenance dredging budget in fiscal year 2017 to \$60,000 to match the anticipated cost of dredging of the south channel and to increase the special project dredging in fiscal year 2020 to \$200,000.

The Board also decided to increase contract administration to \$10,000 in fiscal year 2020.

The Board then discussed repair of the marina bulkhead. Mr. Michna said the bulkhead through the marina is expensive to repair. Director DeLaup said the marina was not being well maintained. The Board determined that the only work that was essential was to fence off areas which are a safety concern, which would cost an estimated \$40,000. Director Cross suggested an alternative method of bulkhead repair which would involve using rock to protect the existing bulkhead from further damage and adding a large boardwalk. Director Cross noted that this would allow for a mooring system for boats wanting to stay overnight and would benefit the Developer. Mr. Michna estimated the cost for the project to be approximately \$250,000.

The Board decided to add the marina project to the special project budget for fiscal year 2018 and to ask the Developer to contribute to the project. Upon motion by Director Andries, seconded by Director Cross, after full discussion and the question being put to the Board, the Board authorized Director DeLaup to talk to the Developer regarding sharing the costs of the marina bulkhead project. Director DeLaup asked Mr. Michna to provide an estimate and pictures of how the project would look upon completion.

Director Andries asked the Board to consider the minimum reserve the District should have in its operating fund. Director Cross said that the Developer had a contractual obligation to provide the District with \$400,000 in operating advances, and this should be considered part of the reserve. 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 establish a \$250,000 reserve over time and to establish a \$200,000 reserve by 2021.

Director Andries said he would develop a new cash flow forecast which showed the assessed value and tax rate necessary in each year to fund expenditures and build a reserve. A copy of Director Andries' five year forecast is included as Exhibit "C."

The Board then turned to current repairs. Mr. Michna said the District did not suffer any damage when a truck fell over on its facilities at 7 Loggerhead. Mr. Michna said Green Light needs to finish its work in the District. Director Andries asked that homeowners be informed of the work. Mr. Michna said he had a miscommunication with Matt Chiari and the contractor has now filed the hole in his yard.

4. **Authorize engineer to proceed with maintenance projects.** There was no action taken on this item.

5. **Authorize any such necessary construction payments.** There was no action taken on this item.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 12:35 p.m.

* * *

The foregoing minutes were passed and approved by the Board of Directors on April 29, 2016.


President, Board of Directors

ATTEST:


Secretary, Board of Directors

(DISTRICT SEAL)

