

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
April 29, 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 April 29, 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. Also attending all or portions of the meeting were Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Hunter Fendley of Legend Communities, Inc., Developer for the District; Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; Esther Kumaga of Assessments of the Southwest, Inc., Tax Assessor for the District; Skyler Jewell, Community Manager of Harbor Walk; and Kathleen Ellison and Jane Maher 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. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** There were no comments from members of the public.

2. **Approve Minutes of March 11, 2016.** Proposed minutes of the meeting of March 11, 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 March 11, 2016 as presented.

3. **Developer Report.** The President recognized Mr. Fendley, who updated the Board on the continuing work on the bungalow plan. Mr. Fendley stated that the bungalows are in a horseshoe design and in the middle of the complex there will be tennis courts and a work out facility. Mr. Fendley said the number of units is expected to be 58. Mr. Fendley said that Trendmaker had concluded building in the District and the Developer is talking to more builders.

4. **Authorize preparation of bond application.** This action was deferred until later in the meeting after discussion of the Engineer's Report.

5. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Kumaga, who reviewed with the Board the Tax Assessor and Collector's report, a copy of which is attached hereto as Exhibit "B". Ms. Kumaga noted that the District collected 81.44 % of its 2015 taxes as of March 31, 2016. Ms. Kumaga presented checks 1142-1145 for the Board's approval.

Upon motion by Director Holley, 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 authorized payment of the checks identified therein.

6. **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 April 29, 2016, a copy of which is attached hereto as Exhibit "C".

Ms. Grimes noted that check 1504 was written at the February meeting and has since been issued. Ms. Grimes presented checks 1505-1510 for the Board's approval.

Ms. Grimes proposed a question to the Board of whose responsibility it is to pay the inspection invoice of \$300 from Shelmark for an inspection of potential bulkhead damage at 7 Loggerhead when a contractor's truck fell over on the bulkhead. Director Cross asked if the District rules require the homeowner to pay for the inspection since the inspection did not fall within the District's Policy on Construction of New Improvements. After discussion, the Board directed Ms. Grimes to proceed with the collection of the \$300 from the homeowner.

Ms. Grimes reported that the debt service payment that was due March 1, 2016 was paid February 29, 2016. Ms. Grimes stated that the next payment for debt service is September 1, 2016.

Ms. Grimes reviewed the Quarterly Investment Inventory Report, a copy of which is attached hereto as Exhibit "D". Ms. Grimes noted that the end of the fiscal year was March 31st and that April is the beginning of the new fiscal year.

Ms. Grimes presented to the Board the March 2016 newsletter from Texas Class, a copy of which is attached hereto as Exhibit "E". Ms. Grimes reported that as of March 15th Texas Class's average interest rate is .55%. Ms. Grimes stated that Texas Class is very similar to TexPool except Texas Class has better rates.

Ms. Ellison stated that Texas Class is not guaranteed by the State of Texas. Ms. Ellison noted that one difference between Texas Class and TexPool is that Texas Class holds commercial paper of corporate entities. The Board discussed which account could be invested in Texas Class if the decision were made to use Texas Class. The President stated that the Board would like more time to review the information and will revisit the issue at the next meeting.

Upon motion by Director Andries, seconded by Director Holley, 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, and defer action regarding Texas Class until the next meeting.

7. **Review 5 year forecast.** Director Andries reviewed the five year forecast, a copy of which is attached hereto as Exhibit "F." Director Andries noted that in 2017 bulkhead repairs are estimated at \$40,000 and dredging is estimated at \$60,000. Director Andries said he would like to set aside \$100,000 in 2017 for a reserve.

Director Andries stated that the maintenance tax rate necessary to support the budget is 23 cents (assuming a 15% annual growth rate) and 26 cents (assuming a 10% annual growth rate). Director Andries said the maximum tax rate should be 60 cents.

Ms. Kumaga said the 2016 preliminary value of the District was \$96,555,322, which is higher than the projected 2017 value in the forecast.

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

a) review and discuss results of inspections.

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

2) **new construction** – Mr. Michna provided the Board with the New Construction Inspections Schedule Report and stated that there are no actions to report.

3) **dredging** – Mr. Michna stated that there are no actions to report under dredging.

b) request authorization for repairs.

i) **Discuss the South Channel Maintenance Dredging project in the amount of \$60,000.** Mr. Michna stated that the dredging spoil will be deposited on Harborwalk Section 6 unless he can get the Intercoastal Waterway contractor to take it, in which case the proposed budget for this project might decrease to \$40,000.

ii) **Bidding of the Bulkhead Repair project in the budget amount of \$200,000.** Mr. Michna reported on two options to repair the bulkhead erosion on the marina. He said that to build a new bulkhead wall in front of the existing bulkhead using purloc 4.3 sheet pile would cost between \$350,000 and \$700,000. He said extending the boardwalk to eight feet, filling holes with crushed concrete and placing new timber piling in front of the existing bulkhead would cost approximately \$180,000. Discussion ensued regarding the cost of materials and the how the cost would be divided up between the District and the Developer. Director McKenzie suggested that the Engineer and Developer discuss these options.

c) **review proposals/bids and award contracts.** Mr. Michna stated that there are no actions.

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d) approve pay estimates, change orders, and final acceptance, as appropriate. Mr. Michna recommended payment of the invoice dated February 11, 2016 in the amount of \$2,458 to Marine, Inc., invoice dated April 5, 2016 in the amount of \$2,571.50 to Marine, Inc., and invoice dated March 21, 2016 in the amount of \$1,237.44 to Green Light Contracting. He also asked for the Board's approval to add \$12,000 to the budget to finish the four repairs listed in the Engineer's Report and to take care of any other repairs that arise.

Mr. Fendley requested that the rocks in the parking lot be moved to a different location. Mr. Michna stated he would tell the contractor.

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, to approve the invoice dated February 11, 2016 in the amount of \$2,458 to Marine, Inc., to approve the invoice dated April 5, 2016 in the amount of \$2,571.50 to Marine, Inc., to approve the invoice dated March 21, 2016 in the amount of \$1,237.44 to Green Light Contracting, and to approve additional expenditures not to exceed \$12,000 for the repairs listed in the Engineer's Report and any other repairs that arise.

9. Authorize preparation of bond application. The President renewed the discussion on the bond application. Mr. Fendley reported that the District owes Harborwalk L.P. reimbursables in the amount of \$3,567,400.35 (including interest to date). Director Andries suggested the Board authorize the preparation of a \$1,500,000 million bond issue.

Upon motion by Director Andries, seconded by Director Cross, after full discussion and the question being put to the Board, the Board voted unanimously to authorize a bond application; provided that such work shall be payable only from bond proceeds or paid by the Developer.

10. Appoint agent for 2016 Directors Election and discuss election procedures. Ms. Ellison introduced Ms. Jane Maher to the Board. Ms. Ellison presented and explained the Appointment of Agent for the 2016 Directors Election, a copy of which is attached hereto as Exhibit "H."

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 Jane Maher as the agent for the 2016 Directors Election.

11. Engage Arbitrage Compliance Specialists for review of \$4,220,000 Unlimited Tax Refunding Bonds, Series 2015. Ms. Ellison presented and reviewed with the Board the Engagement Letter from Arbitrage Compliance Specialists for the Bond Management Compliance Program, a copy of which is attached hereto as Exhibit "I."

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 accept the engagement letter from Arbitrage Compliance Specialists, Inc.

12. **Discuss and take necessary action in connection with website and related correspondence.** Ms. Ellison stated she has corresponded with Mr. Lambert regarding his proposal to make the website mobile accessible for approximately \$600.

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 proposal.

13. **Next Meeting Date.** The Board tentatively set Friday, June 3, 2016 at 10 a.m. as its next meeting date.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 12:16 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on June 3, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

