

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

June 3, 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 June 3, 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 DeLaup and Director Holley. 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; Donna Bryant of Assessments of the Southwest, Inc., Tax Assessor for the District; Paul Yates, resident of the District; 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 10:03 a.m. and the following business was transacted.

1. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** Resident Paul Yates introduced himself to the Board and stated he is interested in running in the District's upcoming election.

2. **Approve Minutes of April 29, 2016.** Proposed minutes of the meeting of April 29, 2016, previously distributed to the Board, were presented for review and approval. 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 approve the minutes of April 29, 2016 subject to clarification of the final paragraph of Item 7 following Board discussion of the annual budget.

3. **Developer Report.** The President recognized Mr. Fendley, who stated that lots of spring cleaning has happened around the development. Mr. Fendley noted that he had a meeting with a builder who will continue the Trendmaker program. He expects three or four homes to be built within the next 60 to 90 days. In regards to the bungalows, Mr. Fendley stated that he is still working with the engineers to figure out the right design. He informed the Board

that he will be installing “No Wake” buoys and signs. He noted that the buoys will take a few weeks to arrive; however, the signs will be installed later today. The Board discussed how to enforce the “No Wake” prohibition.

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 83.58 % of its 2015 taxes as of May 31, 2016.

Ms. Bryant stated that there is a wire to the debt service account and two checks for the Board’s approval.

Ms. Bryant informed the Board that the unpaid accounts list is currently inaccurate due to a check from the Developer which was received April 29 and has been lost. Ms. Bryant asked for the Board’s approval to ask the developer to stop payment and reissue the check in the original amount.

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 Tax Assessor and Collector’s report, to authorize payment of the checks identified therein, and to authorize the tax assessor and collector to accept the Developer’s reissued check.

5. **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 June 3, 2016, a copy of which is attached hereto as Exhibit “C.”

Ms. Grimes noted that check 1511 was approved last month, and that the money market account was moved from Texas First Bank to Compass Bank. She also noted that the next debt service payment is due September 1<sup>st</sup>. She stated that April is the first month of the District’s new fiscal year.

Ms. Grimes stated that Watkins Real Estate Development was billed for the inspection of the bulkhead as discussed at the last meeting.

The Board agreed that the line item for dredging in the annual budget does not need to be adjusted, and the April 29 minutes should be amended accordingly.

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 approve the Bookkeeper’s report and authorize payment of the checks identified therein.

6. **Consider investments including participation in Texas Class.** Director Andries stated that he had talked to Mr. Mark Burton of Municipal Accounts & Consulting and found out Mr. Burton was on the Advisory Board of Texas Class and watches its investments. He suggested the Board close its Compass money market account and put the money in Texas Class. He suggested that the Board set a maximum of 25% of its assets in Texas Class. 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 Ms. Grimes to close the operating fund money market account with Compass Bank, to transfer the funds to a Texas Class account, and to set a maximum of 25% of the District's total assets which can be invested in Texas Class.

**7. Engagement Letter with Shelmark Engineering to prepare a bond application engineering report and any other necessary action in connection with initiation of a bond issuance.** The President recognized Ms. Ellison, who said she had reviewed the engagement letter with Shelmark Engineering to prepare a bond application engineering report, a copy of which is attached hereto as Exhibit "D." She said the letter stipulates that payment to the engineer is contingent upon issuance of the District's bonds. Mr. Michna stated that the engineering fees associated with the project are \$52,000 with a reimbursement budget estimated at \$3,000.

Mr. Michna reviewed the Texas Commission on Environmental Quality ("TCEQ") staff memo from the District's first bond application. He noted the projects which had been paid for and said the new application would include water and sanitary sewer for Harborwalk Section 6 and a portion of the bulkhead.

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 accept the engagement letter.

**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 "E."

**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. The Board noted a complaint about the entrance to the main channel. The President said she would check the entrance.

**b) request authorization for repairs.**

**1) Discuss options with Mike Hooks, Inc. for South Channel Maintenance Dredging project.** 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.

**2) Discuss options for East Bulkhead Boardwalk Project for Marina Drive.** Mr. Michna reported on the option to repair the bulkhead erosion on the marina. 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. Mr. Fendley said he was checking with Mr. Dawlett on the proposal.

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

**d) approve pay estimates, change orders, and final acceptance, as appropriate.** Mr. Michna recommended payment of the invoices dated April 28, 2016, in the amount of \$10,234.99, and May 6, 2016 in the amount of \$2,469.00 to Marine, Inc. He also asked for the Board's approval to authorize an additional \$10,000 for bulkhead repairs. Mr. Michna said Marine, Inc. needs a lay down area for materials, which would reduce repair costs. The Board asked Mr. Fendley if he could provide one. Mr. Michna said he will inspecting the bulkhead caps.

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, approve the invoices dated April 28, 2016, in the amount of \$10,234.99, and May 6, 2016 in the amount of \$2,469.00 to Marine, Inc., and to authorize an additional \$10,000 for bulkhead repairs.

9. **Discuss and take necessary action in connection with website and related correspondence.** Ms. Ellison informed the Board that Mr. Lambert's proposal to make the website mobile accessible is \$650 as opposed to \$600. The Board asked Ms. Ellison to post election information on the website.

10. **Other Consultant Reports.** In regards to the next meeting date, the Board tentatively set Friday, July 22, 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 11:33 a.m.

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The foregoing minutes were passed and approved by the Board of Directors on July 22, 2016.

  
President, Board of Directors

ATTEST:

  
Secretary, Board of Directors

(DISTRICT SEAL)

