

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
July 22, 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 July 22, 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 and Director Holley. Also attending all or portions of the meeting were Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; Mark McGrath of McGrath & Co., PLLC, auditor for the District; Cathy Brittain-Drew of Assessments of the Southwest, Inc., Tax Assessor for the District; Beverly Holmes and Cheryl Steller, residents of the District; and Kathleen Ellison and Jane Maher of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District. Haythem Dawlett of Legend Communities, Inc., Developer for the District, participated by phone.

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

1. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** The President recognized residents Beverly Holmes and Cheryl Steller to the meeting. Ms. Holmes introduced herself to the Board and stated she is interested in running in the District's upcoming election.

2. **Approve Minutes of June 3, 2016.** Proposed minutes of the meeting of June 3, 2016, previously distributed to the Board, were presented for review and approval. 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 minutes of June 3, 2016.

3. **Approve Audit for fiscal year ended March 31, 2016.** The President recognized Mr. McGrath, who presented to and reviewed with the Board a draft of the audit for fiscal year ending March 31, 2016 and related management, representation, and material weakness letters, copies of which are attached hereto as Exhibit "B." Mr. McGrath said he was issuing an unqualified opinion on the District's financials and had had no problems obtaining the District's

books and records. 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 audit for fiscal year ending March 31, 2016.

4. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Drew, who reviewed with the Board the Tax Assessor and Collector's report, a copy of which is attached hereto as Exhibit "C." Ms. Drew noted that the District collected 98.19% of its 2015 taxes as of June 30, 2016. Ms. Drew presented three checks and two wires for the Board's approval. She stated that the District's delinquent tax attorney is currently sending out termination letters to the District's delinquent account holders.

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.

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 July 22, 2016, a copy of which is attached hereto as Exhibit "D."

Ms. Grimes presented checks 1515 through 1520 for the Board's approval. She stated that the next debt service payment is due September 1.

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

6. **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.

b) request authorization for repairs. The President said the District signs are worn and asked Mr. Michna about new signs. Mr. Michna said they were \$535 installed. The President asked Mr. Michna to obtain two signs and said she would arrange for installation.

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 four invoices to Marine, Inc., as shown on Appendix B to the report. He stated that there is about \$10,000 left in the budget for bulkhead repairs for the year. He asked for the Board's permission to proceed with the pending repairs listed in his report and to spend the remaining budget as needed.

Mr. Michna recommended payment of one invoice from Marine, Inc. for renailing decking on the Harborwalk marina, as shown on Appendix B to the report. He stated there is about \$50 left in the budget for bulkhead cap repairs. He requested an additional \$1,800 for the bulkhead cap maintenance budget.

Director Cross stated that in conjunction with the poker night and other large events, unprotected bulkhead on Long Key is being used to dock boats. The Board discussed the issue and agreed that they would like to establish who is accountable for any potential damage to this bulkhead. Ms. Ellison said she would try to find out who owns the bulkhead and who organizes the events using the bulkhead.

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 presented invoices, to add an additional \$1,800 to the bulkhead cap maintenance budget, and to authorize Mr. Michna to proceed with the bulkhead repairs.

Director Andries requested that the five year forecast be altered to show the reserve goal for each year and the special projects. He said he would like the reserve placed in a special account and shown in the District's balances. He said he would work with the bookkeeper to modify the five year forecast. 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 authorize Director Andries to work with the bookkeeper to alter the five year forecast as discussed and to set up a reserve account in the District's financial accounts.

7. Authorize Continuing Disclosure filing with Municipal Securities Rulemaking Board. Ms. Ellison reviewed with the Board the proposed Annual Report on Financial Information and Operating Data for fiscal year ending March 31, 2016, a copy of which is attached hereto as Exhibit "F."

Ms. Ellison stated that the District is required to make an annual filing of its audit and certain other information with the Municipal Securities Rulemaking Board's data base so that bondholders can view current information on the District's financial status.

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 authorize the filing of the Annual Report on Financial Information and Operating Data for fiscal year ending March 31, 2016.

8. Developer Report. The Board called Mr. Dawlett to discuss the proposal for the east marina. Mr. Dawlett stated he will work with Mr. Michna to determine the best materials and cost for the project.

9. **Review Summary of Bond Costs for Bond Application.** Mr. Michna presented to and reviewed with the Board a review of the utility and bulkhead costs in Harborwalk, Section 6, a copy of which is attached hereto as Exhibit "G." He stated that the summary is still missing some information. He said he would bring more information to the next meeting. Ms. Ellison noted that the Texas Commission on Environmental Quality does not routinely review bulkhead projects.

10. **Order Designating Officer to Calculate and Publish Tax Rate.** This item was deferred.

11. **Order Calling Directors Election.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Calling the Directors Election, a copy of which is attached hereto as Exhibit "H." 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 Order Calling the Directors Election.

12. **Order Approving Joint Election.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Contract for Election Services with Galveston County, a copy of which is attached hereto as Exhibit "I." 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 Order Approving the Joint Election with Galveston County.

13. **Other Consultant Reports.** Ms. Ellison passed out a list of events in Harborwalk. In regards to the next meeting date, the Board tentatively set, September 9, 2016 at 10 a.m. as the next meeting date, and November 4 at 10:00 as the subsequent meeting date.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 11:57 p.m.

*

*

*

The foregoing minutes were passed and approved by the Board of Directors on September 9, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

