

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
September 9, 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 September 9, 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 Cross 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; Shari Tuckwell of Assessments of the Southwest, Inc., Tax Assessor for the District; Haythem Dawlett and Susan Crawford of Legend Communities, Inc., Developers for the District; John Howell of The GMS Group, financial advisor for the District; Beverly Holmes, resident of the District; and Dimitri Millas 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 10:10 a.m. and the following business was transacted.

1. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** The President welcomed resident Beverly Holmes to the meeting and stated that Ms. Holmes will be a new board director commencing after the election in November.

2. **Approve Minutes of July 22, 2016.** Proposed minutes of the meeting of July 22, 2016, previously distributed to the Board, were presented for review and approval. 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 minutes of July 22, 2016.

3. **Authorize new credit card agreements.** The President recognized Ms. Tuckwell, who presented to and reviewed with the Board the First Billing Payment Services Agreement, a copy of which is attached hereto as Exhibit "B." Mr. Millas stated that the vendor accepted NRF's comments regarding the agreement. 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 agreement with First Billing Services.

4. **Review Investment Policy.** The President recognized Mr. Millas, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy, a copy of which is attached hereto as Exhibit "C." Mr. Millas reported that the Public Funds Investment Act requires the Board to review the District's investment policy annually. He reported that there are no recommended changes at this time.

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 adopt the Resolution Reviewing the Investment Policy and to maintain the current investment policy.

5. **Order Declaring Unopposed Candidates to Elected Office.** The President recognized Mr. Millas, who presented to and reviewed with the Board the Order Declaring Unopposed Candidates to Elected Office, a copy of which is attached hereto as Exhibit "D." 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 such Order, thereby canceling the 2016 Directors Election and declaring the unopposed candidates, Directors McKenzie and Holmes, elected to office.

6. **Developer Report.** The President recognized Mr. Dawlett, who updated the Board about developments within the District. He stated that Trendmaker has concluded building in the District and has agreed to sell its plans. In response to a question about the bungalows, Mr. Dawlett stated he would have more information by the next meeting. 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 Developer's Report.

7. **Tax Assessor and Collector report and payment of bills.** The President recognized Ms. Tuckwell, who reviewed with the Board the Tax Assessor and Collector's report, a copy of which is attached hereto as Exhibit "E." Ms. Tuckwell noted that the District collected 99.26% of its 2015 taxes as of August 31, 2016. Ms. Tuckwell presented four checks for the Board's approval.

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.

8. **Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Howell, who presented to and reviewed with the Board the Cash Flow Analysis, a copy of which is attached hereto as Exhibit "F." Mr. Howell suggested the Board consider setting an Operations and Maintenance tax rate of \$0.23, and a Debt Service tax rate of \$0.33-\$0.35. He noted a tax rate of \$0.58 would increase the average homeowner's bill by \$106. Discussion ensued.

Mr. Millas then presented to the Board the Order Designating Officer to Calculate and publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2016, a copy of which is attached hereto as Exhibit "G." Mr. Millas informed the Board this order authorizes the tax assessor to publish the proposed tax rate and the date and time of the District's next meeting.

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 publish a total tax rate of \$0.58, and to approve the Order Designating Officer to Calculate and publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2016.

9. **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 September 9, 2016, a copy of which is attached hereto as Exhibit "G."

Ms. Grimes presented checks 1521 through 1526 for the Board's approval. She noted that the next debt service payment will be March 1, 2017. She said she put the Operating Reserve in Texas CLASS money market fund.

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 to authorize payment of the checks identified therein.

10. **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 "H."

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. Mr. Michna stated that the two new MUD District signs have been delivered.

c) review proposals/bids and award contracts. Mr. Michna stated that the mouth of the canal entering the District from the Intercoastal Waterway is becoming silted. The Board stated they would like to receive proposals at the next meeting regarding this issue. The Board also stated they would like to discuss issues with the South channel at the next meeting.

d) approve pay estimates, change orders, and final acceptance, as appropriate.

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 Engineer's report and to authorize \$2,000 for Mr. Michna to conduct a bathymetric survey of the main channel.

11. **Discuss east marina bulkhead and take any necessary action.** The Board reviewed the letter to the District's developer regarding the east marina bulkhead, a copy of which is attached hereto as Exhibit "I." Mr. Michna stated that he will send a cost estimate to Mr. Dawlett. The Board decided to wait until the next meeting to take any further action.

12. **Review Summary of Bond Costs for Bond Application.** Mr. Michna presented to and reviewed with the Board a review of the bond costs for the bond application, a copy of which is attached hereto as Exhibit "J." He stated that the summary of costs is for Section 6. He stated that Shelmark is waiting for a proposal for the appraisals of Sections 1,2,3,4, and the Marina.

13. **Other Consultant Reports.** In regards to the next meeting date, the Board tentatively set November 4, 2016 at 10 a.m. as the next meeting date.

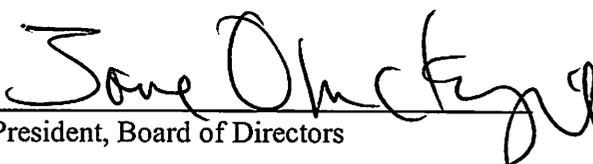
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 11:56 p.m.

*

*

*

The foregoing minutes were passed and approved by the Board of Directors on November 4, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

