

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
August 4, 2017

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 August 4, 2017 at 1:00 p.m.; whereupon the roll was called of the directors, to-wit:

Jane O. McKenzie, President
Beverly Holmes, 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; Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; Mark McGrath of McGrath & Co., PLLC, auditor for the District; Donna Bryant of Assessments of the Southwest, Inc., Tax Assessor for the District; Corey Howell of The GMS Group, financial advisor for the District; Jason Ross, marina operations manager of HarborWalk; Frank Schilero, manager of Harborwalk POA; Marian Cross, 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 1:05 p.m. and the following business was transacted.

1. **Approve Minutes of May 5, 2017.** Proposed minutes of the meeting of May 5, 2017, 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 May 5, 2017 as presented.

2. **Receive Public Comments (2 min. each), and document for discussion at next meeting.** There were no public comments.

3. **Approve audit for fiscal year ended March 31, 2017.** The President recognized Mr. McGrath, who presented to and reviewed with the Board a draft of the audit for the fiscal year ended March 31, 2017, and related management, representation, and material weakness letters, copies of which is attached hereto as Exhibit "B." Discussion ensued. Mr. McGrath stated that he will send further information to Director Holmes and Director Andries about the developer reimbursables noted in the audit. 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 audit for the fiscal year ended March 31, 2017.

4. **Authorize Continuing Disclosure filing with Municipal Securities Rulemaking Board.** The President recognized Ms. Ellison, who reviewed with the Board the proposed Annual Report on Financial Information and Operating Data for fiscal year ending March 31, 2017, a copy of which is attached hereto as Exhibit "C." 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 database 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 with the Municipal Securities Rulemaking Board.

5. **Developer Report.** The Developer was not present to give a report.

6. **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 "D." Ms. Bryant noted that the District collected 86.17% of its 2016 taxes as of July 31, 2017. Ms. Bryant presented five checks for the Board's approval.

Ms. Bryant reported that the District's preliminary taxable value is \$103,962,589. Discussion ensued.

Upon motion by Director Holmes, 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 authorize payment of the checks identified therein.

7. **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 August 4, 2017, a copy of which is attached hereto as Exhibit "E."

Ms. Grimes presented checks 1547 through 1554 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 Bookkeeper's report and to authorize payment of the checks identified therein.

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 "F."

(a) **Review and discuss results of inspections.** Mr. Michna reviewed with the Board the current status of his inspection reports.

1) **pre-development** – Mr. Michna presented a bulkhead repair and pre-development schedule.

2) **new construction** – Mr. Michna presented a new construction inspections schedule.

3) **dredging** – Mr. Michna presented a dredging inspection schedule.

4) **bulkhead cap inspections** – Mr. Michna presented a cap repair schedule.

(b) **Request authorization for repairs.** There was no report.

(c) **Review proposals/bids and award contracts.** There was no report.

(d) **Approve pay estimates, change orders, and final acceptance, as appropriate.** Mr. Michna requested payment to Marine, Inc. in the amount of \$46,290 for the dredging of the Main Channel and South Channel. He noted that Marine, Inc. did not find any obstructions in the interior canals and that the \$5,000 allotted for this dredging was not used. The Board discussed the dredging on the South Channel and expressed concern about the channel being too shallow. The Board requested that markers detailing the depth be placed in the South Channel. The Board requested that a representative for the District verify the depths in the South Channel. It was the consensus of the Board to hold the check to Marine, Inc. in the amount of \$46,290 until the depth of the channel is verified.

Mr. Michna stated that DunRite was not able to make the bulkhead repairs. Mr. Michna requested that the Board increase the bulkhead repair budget by \$10,000. Director Cross expressed concern with the contractor getting the repairs done quickly. Director Holmes stated that she can provide contact information to Mr. Michna for another contractor who does bulkhead repairs. Upon motion by Director DeLaup, seconded by Director Andries after full discussion and the question being put to the Board, the Board voted to increase the bulkhead repairs budget by \$10,000.

The Board then addressed the recurrent issue of boaters mooring their boats on unprotected bulkhead at the marina. Ms. Ellison reminded the Board of the policy approved at the prior meeting prohibiting such docking unless the Board provides written consent. Mr. Ross stated that, as requested by the District, the marina will require event sponsors to provide insurance covering damage to bulkhead facilities when big events are held at the marina from now on. The Board asked that the cleats and ties on the POA property adjacent to Shell Key be removed to discourage any mooring on the east side of the marina bulkhead unless there is a large event which has provided insurance. The Board also decided to install “No Mooring” signs at that location. 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 authorize \$2,500 for the “No Mooring” signs. Mr. Schilero said the POA could install the signs.

Mr. Michna presented to the Board the “No Wake” signs for installation.

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 Engineer’s Report.

9. **Discuss east marina bulkhead and take any necessary action.** Mr. Michna requested payment to DunRite in the amount of \$4,300 for east marina bulkhead repairs. 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 payment to DunRite in the amount of \$4,300.

10. **Discuss use of marina bulkhead and any necessary action.** This item was addressed under the engineer's report.

11. **Amend Order Authorizing Application for Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Authorizing Amended Application for Consideration of Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Amended Order"), a copy of which is attached hereto as Exhibit "G." She said the amendment provides that the District will not capitalize interest from Bond proceeds. 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 Amended Order.

12. **Discuss permit transfer and take any necessary action.** Mr. Michna stated that there was nothing to report.

13. **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 "H." Mr. Howell suggested that the Board consider setting an Operations and Maintenance tax rate of \$0.24, and a Debt Service tax rate of \$0.32 or \$0.33. He stated that a total tax rate of \$0.57 would mean that the average homeowner would pay approximately \$268 more in taxes.

Ms. Ellison 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 2017, a copy of which is attached hereto as Exhibit "I." Ms. Ellison 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 calculate and publish a tax rate of \$0.57.

The Board discussed the next meeting date. It was the consensus of the Board to set a tentative meeting date of October 5, 2017 at 2 p.m.

14. **Attorney Legislative Report and other Consultant Reports.** Ms. Ellison reviewed recent legislative changes with the Board.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 2:05 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on October 5, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

