

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
January 26, 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 January 26, 2017 at 2:30 p.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 Holley. Also attending all or portions of the meeting were Beverly Holmes, District resident; Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer 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; Mark McGrath of McGrath & Co., auditor for 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 2:35 p.m. and the following business was transacted.

1. **Qualify Directors and Elect Officers.** The President recognized Ms. Ellison, who reported that Director McKenzie and Ms. Holmes had completed their Oaths of Office and Statements of Elected Officer and are fully qualified to begin serving their new term as directors. 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 keep the same slate of officers with Ms. Holmes as Vice President.

2. **Review and authorize execution of letter regarding disclosure of Director information.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the letter regarding disclosure of Director information, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Andries, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the letter regarding disclosure of Director information.

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

4. **Approve Minutes of November 4, 2016.** Proposed minutes of the meeting of November 4, 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 November 4, 2016 as amended.

5. **Developer Report.** There was no 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 "C." Ms. Bryant noted that the District collected 33.99% of its 2016 taxes as of December 31, 2016. Ms. Bryant presented three checks for the Board's approval.

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. **Adopt Resolution Authorizing Additional 20% Penalty on Delinquent Taxes.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "D." Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

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 Resolution.

8. **Adopt Orders Authorizing Exemptions from Taxation.** The President recognized Ms. Ellison, who presented to and reviewed with the Board Orders Authorizing Exemptions from Taxation, copies of which are attached hereto as Exhibit "E." Discussion ensued. The Board decided to maintain its policy of no exemptions for the current year.

9. **Discuss 2017 property value challenges and Adopt Resolution Challenging Values.** Director Andries reported that the Board previously wished to challenge values only to find out the deadline had passed prior to the time it received the values. Director Andries said that the Board should adopt a resolution challenging 2017 property values, which can be used as appropriate once the tax assessor reviews the 2017 property data. A copy of the Resolution Challenging Values is attached hereto as Exhibit "F." 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 a Resolution Challenging Values.

10. **Engage Auditor for fiscal year ending March 31, 2017.** The President recognized Mr. McGrath, who asked to be engaged as the District's auditor for the fiscal year ending March 31, 2017. Mr. McGrath stated that the engagement will be an evergreen contract terminable by the Board at any time. 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 retain McGrath & Co., PLLC to prepare the District's audit for fiscal year ending March 31, 2017 and to authorize the President to execute the auditor's engagement letter, a copy of which is attached hereto as Exhibit "G."

11. **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 January 26, 2017, a copy of which is attached hereto as Exhibit "H."

Ms. Grimes presented checks 1533 through 1541 for the Board's approval. She reviewed the five year cash flow forecast with the Board. Discussion ensued.

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.

12. **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 "I." Mr. Michna reviewed the South Channel survey with the Board.

a) review and discuss results of inspections.

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. Mr. Michna stated that there are no actions to report.

c) review proposals/bids and award contracts. Mr. Michna said he had solicited three proposals for dredging of the south channel and main channel sediment basin and received a bid from Marine, Inc. for \$46,300. He requested permission to proceed with maintenance dredging of the South Channel and Sediment Basin for the Main Channel based on the proposal from Marine Inc. for \$46,300. The Board discussed having Marine, Inc. complete the dredging projects on the dredging inspection schedule while it is on site. The Board asked Mr. Michna to post a notice of the dredging project.

The Board discussed where the dredging spoil would be placed in future jobs and possibly obtaining an assignment of the Developer's Army Corps permit for a spoil site. The Board instructed Ms. Maher to include discussion of the permit on the next agenda. Upon motion by Director McKenzie, seconded by Director Holmes, after full discussion and the question

being put to the Board, the Board voted unanimously to authorize Mr. Michna to pursue further discussion with the Developer for the permit transfer.

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

Mr. Michna recommended that the Board pay the invoice for the maintenance bulkhead repairs to Marine, Inc. in the amount of \$11,220.40. He also recommended that the Board pay the invoice for the channel surveys to High Tide Land Surveying, LLC in the amount of \$2,000.

Upon motion by Director DeLaup, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to accept the proposal of Marine, Inc. for the maintenance dredging of the South Channel and Sediment Basin for the Main Channel, to authorize Marine, Inc. to complete the dredging projects noted in the dredging inspection schedule, to approve the invoice to Marine, Inc. in the amount of \$11,220.40 for bulkhead repairs, to approve the invoice of High Tide Land surveying, LLC in the amount of \$2,000, and to approve the Engineer's Report.

13. **Adopt budget for fiscal year ending March 31, 2017.** The President recognized Ms. Grimes, who reviewed the proposed budget for the fiscal year ending March 31, 2018, a copy of which is attached to the Bookkeeper's report. The Board discussed the dredging budget. Mr. Michna suggested the Board differentiate between channel and canal dredging. The Board proposed adding a \$50,000 budget for channel dredging. The Board discussed canal dredging as a regular maintenance item. Ms. Grimes stated she will amend the budget.

Upon motion by Director Andries, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the budget for the fiscal year ending March 31, 2018 as amended.

14. **Discuss east marina bulkhead and take any necessary action.** No action was taken on this item.

15. **Review Order Authorizing Application for Consideration of 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 Application for Consideration of Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Order"), a copy of which is attached hereto as Exhibit "L." Mr. Michna stated that the Order will be a part of the application sent to the TCEQ.

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 Order.

Director Andries left the meeting.

16. **Renew District Insurance.** The Board reviewed the insurance proposal from Harco Insurance Services, a copy of which is attached hereto as Exhibit "K." Upon motion by

Director DeLaup, seconded by Director Holmes, after full discussion and the question being put to the Board the Board voted unanimously to accept the renewal proposal from Harco Insurance Services.

17. **Consider Consent to Encroachment and take any necessary action.** The President recognized Ms. Ellison, who presented and reviewed with the Board a Consent to Encroachment, a copy of which is attached hereto as Exhibit "J." The President stated that the Consent to Encroachment is in regards to a concrete stairway built by a resident. Ms. Ellison confirmed that the resident had signed the Consent to Encroachment. Upon motion by Director DeLaup, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to approve and execute the Consent to Encroachment.

18. **Report on Eminent Domain Annual Report.** The President recognized Ms. Ellison, who stated that the District is required to file an annual report with the Texas Comptroller of Public Accounts to retain its right to eminent domain. She stated that NRF will make this filing on behalf of the District.

19. **Other Consultant Reports.** The Board set a tentative meeting date of Thursday, April 13, 2017 at 2:30 p.m. The Board set an alternative meeting date of Friday, April 14, 2017 at 10:00 a.m. The Board expressed a desire to have the Developer attend the next meeting.


THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 4:22 p.m.

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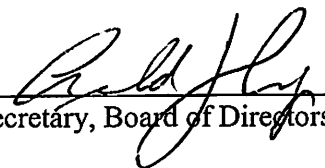
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The foregoing minutes were passed and approved by the Board of Directors on May 5, 2017.


President, Board of Directors

ATTEST:


Secretary, Board of Directors

(DISTRICT SEAL)

