

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
August 24, 2018

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 former Harborwalk Restaurant, 1301 Harborwalk Boulevard, Hitchcock, Texas, on August 24, 2018 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 Rhonda Patterson of Assessments of the Southwest, Inc., tax assessor and collector for the District; Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District; Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; John Howell of The GMS Group, L.L.C., financial advisor for the District; Haythem Dawlett of Legend Communities, Inc., developer in the District; Kathleen Ellison and Amanda Dykmann of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District; and members of the public listed on Exhibit "A," attached hereto and by this reference made a part hereof.

Notice of the meeting was posted in accordance with law at the locations and at the times shown on Exhibit "B" attached hereto. The meeting was called to order and the following business was transacted.

1. **Approve Minutes of July 18, 2018.** Proposed minutes of the meetings of July 18, 2018, previously distributed to the Board, were presented for review and approval. 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 minutes of July 18, 2018, as presented.

2. **Receive public comments.** The President welcomed residents to the meeting and introduced the members of the Board. She said that the Board would take public comments. Numerous public comments were made at this time and throughout the meeting. Among the comments were the following:

The President recognized Mrs. Leviner who stated she wanted to know what the Bond is for and where the funds are going. Mr. Leviner requested information on the District's budget and debt. Director Andries and Ms. Ellison responded.

The President recognized Mr. Dillard who asked if the exhibits to the minutes were posted to the District website. Ms. Ellison stated they are not posted on the website but he can request a copy.

The President recognized Ms. Berry who asked whom NRF represents. Ms. Ellison responded.

The President recognized Mr. Berry who stated he had questions concerning the Bond Issue. Mr. Howell responded.

The President recognized Mr. Urbanski who stated he had questions regarding spoil and dredging. Director McKenzie stated that issue will be addressed in the engineer's report.

Upon inquiry, Ms. Ellison explained the procedure for determining eligibility to run for the Directors Election.

The President recognized Mr. Dunn who asked how the issuance of Bonds will impact District taxes. Director Andries responded.

The President recognized Mr. Wise who asked if there is a timeline of events concerning the District's financial situation. Mr. Howell responded.

3. **Developer Report.** The President recognized Mr. Leviner, owner of the marina, who stated the dredging needs to be done and the canals need to be open to draw in business. The President then recognized Mr. Dunn who stated his development of Harborwalk Lodge should be opening in two to three months.

4. **Discuss the District's proposed bond issue and authorize any necessary action in connection therewith.** The President recognized Mr. Howell who stated the TCEQ has approved the Bond Issue and the Preliminary Official Statement has been prepared. 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 defer any action on this matter.

5. **Tax Assessor and Collector Report and payment of bills.** The President recognized Ms. Patterson, who reviewed with the Board the Tax Assessor and Collector's report, a copy of which is attached hereto as Exhibit "C." Ms. Patterson noted that the District had collected 97.86% of its 2017 taxes as of July 31, 2018. Ms. Patterson presented three checks for the Board's approval.

Upon motion by Director Cross, seconded by Director Holmes, 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.

6. **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 24, 2018, a copy of which is attached hereto as Exhibit "D." Director Cross asked if the dredging budget should change, and the Board decided to wait until Mr. Michna gets more information on dredging. 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.

7. **Further Developer Report.** The President recognized Mr. Dawlett who reported two lots have closed and one is in escrow. Mr. Dawlett discussed creating a mitigation bank in the wetlands area.

8. **Engineer's Report.** The President recognized Mr. Michna, who reviewed with the Board the Engineer's Report, a copy of which are attached hereto as Exhibit "E."

Mr. Michna reported he has had problems obtaining reasonably priced competent contractors for District projects, but the biggest problem is that the District can only put dredging spoil on the east side of Section 6.

Mr. Michna stated the District should be receiving up to \$117,000 from FEMA for repairs from damage caused by Hurricane Harvey.

Mr. Michna explained the priorities set by the Board to repair bulkheads and bulkhead caps. He presented to the Board an invoice from Putnam Incorporated for \$6,500 for bulkhead repairs and an invoice from Putnam Incorporated for \$25,000 for bulkhead cap repairs and dirt work to repair erosion behind lots. Ms. Grimes noted that the Board had approved payment of the invoices from Putnam Incorporated under the Bookkeeper's Report.

Mr. Michna reviewed the District's four prior dredging projects. He said the dredging is a continual maintenance issue and made more difficult because the channel into the marina is one of the widest channels in the area with a width of 175 feet. He said the last dredging project covered a width of 40 feet in the middle of the channel to a depth of 8 feet.

Mr. Michna stated he received a new bathymetric survey of the channel into the marina just prior to the meeting. He said the survey was available for viewing.

Discussion ensued regarding dredging options. Mr. Jeff Dolan offered to help obtain an Army Corps permit for a new location to place spoil. Upon inquiry from the President, Mr. Michna said floating buoys should be placed in the channels.

Mr. Michna discussed current budgets on Bulkhead, Bulkhead caps, Harvey repairs and dredging. Mr. Dillard asked about the bulkhead repairs on John Ring's lot. Mr. Michna said he was aware of the situation and would meet with Mr. Dillard following the meeting.

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 direct the engineer to take all required action so that the District can authorize the dredging of the main channel to a depth of 8 feet over a width of 100 feet and dispose of the spoil.

9. **Use of Dredge Spoil by Residents.** Mr. Michna stated he is investigating whether or not residents use spoil currently piled on developer property. Ms. Ellison stated she is still reviewing the legal issues. A resident asked if the spoil has been tested. Mr. Michna stated not at this time but if it going to be used, it will have to be tested. The Board deferred this item.

10. **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 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 the average homeowner would pay approximately \$85 more in taxes.

Director Andries presented to and reviewed with the Board and residents of the District, a tax impact of revenue increase report, a copy of which is attached hereto as Exhibit "G."

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 2018, a copy of which is attached hereto as Exhibit "H." 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 Cross, 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 \$.57.

11. **Election Matters.** The President stated there are three director positions up for Election and recognized each candidate running for the 2018 Directors Election. Ms. Ellison said the deadline for write-in candidates is today. She discussed registering to vote and the voting process. Ms. Ellison then presented to and reviewed with the Board the Amended Order Calling Directors Election, a copy of which is attached hereto as Exhibit "I." She said the Amended Order specifies all polling locations. She reported a Drawing for Order of Appearance on tehe Ballot will be held at the office of NRF Monday, August 27, 2018 at 1:00 p.m. and each candidate may attend the drawing.

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 Amended Order Calling Directors Election.

12. **Discuss Meeting Place.** The President stated the next meeting will be held at the Hitchcock Public Library, 8005 Berry Road, Hitchcock, on September 28, 2018 at 1:00 p.m.

13. **Other Consultant Reports.** Ms. Ellison stated the District received information from a bankruptcy trustee that a former resident of the District used improper funds to pay their property taxes. She stated the estimated amount in dispute is \$9,300 and the bankruptcy trustee has demanded that the District repay the funds. Ms. Ellison said the Delinquent Tax Attorney is willing to talk to the counsel for the bankruptcy trustee and try to negotiate a settlement on behalf of the District.

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 Ms. Ellison and the Delinquent Tax Attorney to negotiate a settlement with the bankruptcy trustee.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 3:35 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on September 28, 2018.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

