

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
February 2, 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 the Harborwalk Community Yacht Club & Marina Club, 2nd floor, 1445 Harborwalk Boulevard, Hitchcock, Texas, on February 2, 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 except Director DeLaup and Director Holmes. Also attending all or portions of the meeting were Cindy Grimes of Municipal Accounts & Consulting, Bookkeeper for the District; Donna Bryant of Assessments of the Southwest, Inc., Tax Assessor for the District; Marcus Michna of Shelmark Engineering, LLC ("Shelmark"), engineer for the District (by phone); Tim Connolly of Corporate Strategies, LLC; Frank Schilero, manager of Harborwalk POA; Mark McGrath of McGrath & Co., auditor for the District; Mr. Tom Mraz of Harco Insurance Services; Ms. Marian Cross, District resident; 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 and the following business was transacted.

1. **Approve Minutes of October 5, 2017.** Proposed minutes of the meeting of October 5, 2017, previously distributed to the Board, were presented for review and approval. 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 minutes of October 5, 2017 as presented.

Director Cross noted that the agenda item for public comments was not included on this month's agenda. At this time the President opened the meeting to receive any public comments. There were no public comments.

2. **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 "B." Ms. Bryant noted that the District collected

82.43% of its 2017 taxes as of January 31, 2018. Ms. Bryant presented five checks for the Board's approval. She noted that check no. 1185 in the amount of \$1,011 for the maintenance tax, check no. 1186 in the amount of \$558.43 for the District's delinquent tax attorney, and check no. 1189 in the amount of \$1,165.57 to the Harris County Appraisal District were not included in the report.

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 Tax Assessor and Collector's report and to authorize payment of the checks identified therein including check no. 1185, check no. 1186 and check no. 1189.

3. Consider assignment of Tax Assessor contract and approval of contract amendment. The President recognized Ms. Bryant, who presented to and reviewed with the Board the Assignment and Assumption of Agreement for Services of Tax Assessor/Collector (the "Assignment"), a copy of which is attached hereto as Exhibit "C." Ms. Bryant stated that Thomas W. Lee is assigning the tax assessor contract to Assessments of the Southwest, Inc. She also stated that Assessments of the Southwest is proposing a contract amendment to increase the charge per billed item from \$0.95 to \$0.98, for a total annual increase of \$180.72

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 Assignment and contract amendment.

4. 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 February 2, 2018, a copy of which is attached hereto as Exhibit "D."

Ms. Grimes presented checks 1560 through 1567 for the Board's approval. Director Andries stated that he would like to revise the five year forecast. It was the consensus of the Board to discuss the five year forecast after the engineer's report.

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

5. Renew District Insurance (expires on March 4th). The President recognized Mr. Mraz, who presented to and reviewed with the Board the insurance proposal from Harco Insurance Services, a copy of which is attached hereto as Exhibit "E." Mr. Mraz stated that the only change from last year's policy is that the premium for workers compensation increased by \$120. Mr. Mraz confirmed that volunteers were covered under the District's workers compensation policy.

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 proposal from Harco Insurance Services.

6. **Engage Auditor for fiscal year ending on March 31, 2018.** The President recognized Mr. McGrath, who asked to be engaged as the District's auditor for the fiscal year ending March 31, 2018. Mr. McGrath stated that the District signed an evergreen contract with McGrath & Co., LLC last year. He stated that the auditing fee for the fiscal year ending March 31, 2018 is \$9,100.

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 retain McGrath & Co., PLLC to prepare the District's audit for fiscal year ending March 31, 2018.

7. **Adopt budget for fiscal year ending on March 31, 2019.** The Board reviewed the budget for the fiscal year ending March 31, 2019 and the five year forecast, copies of which are attached to the Bookkeeper's Report. Director Andries stated that the District's engineer is recommending an increase in the forecast for the bulkhead repairs for the years 2020 through 2022 to \$55,000 annually.

Director Cross proposed building a structure to house a fire truck and meeting room and storage room. The Board discussed the possibility and stated that there would be further discussion in the future.

Ms. Ellison stated that this is an election year and that the budget will need to include \$2,000 for election costs.

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 adopt the budget for the fiscal year ending March 31, 2019 and the five year forecast, as revised.

8. **Developer Report.** The President recognized Mr. Connolly, who discussed the status of recent lender activity in the District. He stated that the lender would like the Board to consider pursuing the issuance of bonds. The President stated that the Board is continuing the process for the bond issue.

9. **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 "F." 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.

10. **Adopt Order 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 "G." Discussion ensued. 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 maintain its policy of no exemptions for the current year.

11. **Discuss 2018 property value challenges and Adopt Resolution Challenging Values.** Ms. Ellison reported that the Board previously wished to challenge taxable values in the District only to find out the deadline had passed prior to the time it received the values from the Appraisal District. She stated that the deadline to challenge values is May 15, 2018. She said that the Board could adopt a resolution challenging 2018 property values, which can be used as appropriate once the tax assessor reviews the 2018 property data. A copy of the resolution is attached hereto as Exhibit "H." 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 a Resolution Challenging Values.

12. **Engineer's Report.** The Board reviewed the Engineer's Report and an email update from Mr. Michna, copies of which are attached hereto as Exhibit "I" and Exhibit "J." Mr. Michna joined the meeting by phone.

Mr. Michna discussed the status of the FEMA reimbursement with the Board. He said that the FEMA inspections were completed that week with Director Andries attending. The Board stated that the cap repairs and high priority washouts need to be addressed as soon as possible. They noted that a contractor was waiting to hear from Mr. Michna. Mr. Michna stated that he will try to obtain guidance from FEMA on what will be covered. 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 authorize Mr. Michna to move forward on repair of the bulkhead caps and high priority washouts and to solicit bids for such project if required.

The Board discussed the installation of the "No Mooring" signs. 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 direct Mr. Michna to include the installation of the "No Mooring" signs in the repair project.

Mr. Michna discussed the possibility of using a drone to fly the property for pre and post storm surveys at an estimated cost of \$1,500 per trip. He also discussed the possibility of obtaining a mitigation grant from FEMA to install Thru-flow Decking. 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 authorize Mr. Michna to prepare a cost estimate and scope of work for the Mitigation Grant for Thru-flow decking.

The Board asked Mr. Michna to prepare information for a Board workshop. 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 engineer's report.

13. **Discuss damage survey from Galveston County and FEMA application.** Ms. Ellison reported on the FEMA application and stated that District completed the online registration for the FEMA application.

14. **Authorize SB 625 filing.** Ms. Ellison stated that SB 625 requires the Board to file additional District information on the Comptroller's website by May 1, 2018. She stated that the template would be out soon. 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 authorize the filing of the information required by SB 625 on the Comptroller's website.

15. **Other Consultant Reports.** There were no other reports.

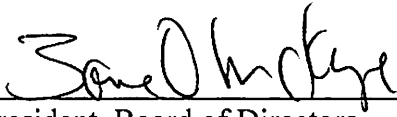
THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned at 3:15 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on June 12, 2018.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

