

MINUTES OF MEETING OF BOARD OF DIRECTORS
FLAMINGO ISLES MUNICIPAL UTILITY DISTRICT
OF GALVESTON COUNTY, TEXAS
November 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 Hitchcock Public Library, 8005 Barry Ave., Hitchcock, Texas, on November 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. Also attending all or portions of the meeting were Donna Bryant 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; Haythem Dawlett of Legend Communities, Inc., Developer for the District (the "Developer"); 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 meetings on September 28, 2018 and October 5, 2018.** Minutes of the meetings of September 28, 2018 and October 5, 2018, previously distributed to the Board, were presented for review and approval. Upon motion by Director Holmes, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 28, 2018 and October 5, 2018.

2. **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 November 2, 2018, a copy of which is attached hereto as Exhibit "C."

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

3. **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 had collected 99.81% of its 2017 taxes as of October 31, 2018. Ms. Bryant presented five checks for the Board's approval.

Upon motion by Director Holmes, 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.

4. **Commercial Property Owners' Report.** The President recognized Mr. Dunn who stated the Lodge opening is still planned for Thanksgiving.

5. **Receive public comments.** The President welcomed residents to the meeting. 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:

Mr. Berry requested information regarding the bond approval. He stated he was looking for information the Engineer submitted in order for TCEQ to approve the bond sale. Mr. Michna stated he will give the information to Mr. Berry.

Mr. Watkins offered to furnish any useful information he has.

Inquiry was made about the tax rates and scope of obligations for surrounding districts. The President stated each district is unique and it would be difficult to compare.

Mr. Dillard asked the Board if they knew who was responsible for repairing a sinkhole located near Highway 6. The President stated the District is not responsible for that and that the City needed to be contacted.

6. **Developer's Report.** The President recognized Mr. Dawlett who discussed various issues going on within the District. Among those items were:

Mr. Dawlett reported he had offered to buy back the marina. He said Mr. Leviner was worried about claims for damages and provided pictures to the Board, attached hereto as Exhibit "E."

Mr. Dawlett reported he had closed on the sale of the mitigation land.

Mr. Dawlett discussed with the Board the dredging of the main channel. He said the Developer is renewing its Army Corps permit to use a 46 acre site for spoil, and the District can use the site for dredging spoil.

He stated if he could work a deal out to take over the marina and the sale of the bonds went through, he would be willing to pre-fund the dredging up to \$400,000.

Discussion ensued regarding a permanent solution which would keep the main and south channels from silting up as rapidly. Mr. Dawlett said he had a consultant who could help find a solution.

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 District engineer to work with Mr. Dawlett's consultant and Mr. Jeff Dolan to prepare a plan and cost proposal for a permanent solution which would keep the main and south channels from silting up as rapidly.

Director Andries said the immediate problem was a bump going into the Intercoastal Waterway. Discussion ensued regarding whether the District should dredge the channel now, even though it is a short-term solution to the silting problem, or defer action until a more permanent solution can be found.

7. **Follow up from prior public comments, including reading entries from prior minutes into the record.** The President read a paragraph from the February 8, 2013 minutes to refute the statement made by Mr. Leviner that the bulkheads were defective and she elected not to seek damages.

8. **Discuss Galveston Daily News article.** The President discussed with the Board and residents an article in the Galveston Daily News regarding the closing of the Harborwalk marina. She presented to and reviewed with the Board a Press Release on behalf of the District, a copy of which is attached hereto as Exhibit "F." Discussion ensued.

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 Press Release and to authorize its publication on the District and Harborwalk POA websites. Mr. Schilero said he would email it to the residents.

9. **Approve status report on District activities for public release.** This was addressed in the previous item.

10. **Consider request for loan from the Developer pursuant to Master Financing Agreement.** Upon motion by Director Holmes, seconded by Director Andries, after full discussion and the question being put to the Board, the Board voted unanimously to formally request a \$400,000 loan from the Developer for dredging costs pursuant to the Master Financing Agreement.

11. **Consider seeking contribution from Commercial Property Owner to dredging project.** 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 defer this item.

12. **Discuss the District's proposed bond issue and authorize any necessary action in connection therewith.** Ms. Ellison presented to and reviewed with the Board a Resolution Requesting Approval to Extend Commission Approval of the Sale of the District's Bonds, a copy of which is attached hereto as Exhibit "G." Discussion ensued.

Upon motion by President McKenzie, seconded by Director Holmes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution as amended to seek an extension of four months.

13. **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 "H."

Mr. Michna stated FEMA awarded the District \$106,062.57 to repair erosion behind bulkheads and damaged bulkheads and bulkhead caps caused by Hurricane Harvey.

Mr. Michna reported on the scope of the dredging project currently out for bid. He discussed the alternates he added for spot dredging and bulkhead repairs.

Mr. Michna then updated the Board on his work regarding potential sites for dredging spoil. He said that he was working on three potential sites: (1) a site owned by Galveston Bay Foundation on Pierce Marsh; (2) the Developer's site; and (3) the gravel pit near Harborwalk. Discussion ensued.

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 authorize Mr. Michna to proceed to obtain an allocation at the Galveston Bay Foundation site on Pierce Marsh.

Mr. Michna stated he will work with Mr. Dawlett's consultant on dredging and surveying.

Mr. Michna stated he is working on a hazardous mitigation grant request.

The Board requested Mr. Michna supervise the District's contractors when they are out in the District making repairs to the bulkheads.

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 the Engineer's Report.

14. **Election Matters.** Ms. Ellison reported the Election will be held on November 6, 2018. She stated the results will be posted on the Galveston County Votes website. The Board discussed dates to canvass the Election.

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

16. **Executive Session pursuant to Section 551.071 of the Open Meetings Act to have a private consultation with the District's attorney on a matter in which the duty of the attorney to the governmental body under the Rules of Professional Conduct requires confidentiality.** 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 enter into executive session at 3:24 p.m. pursuant to Section 551.071 Texas Gov't Code, to confer with their attorney on a matter in which the duty of the attorney to the governmental body under the Rules of Professional Conduct requires confidentiality. At this time all members of the public left the meeting, leaving the Board members, Ms. Ellison and Ms. Dykmann.

17. **Resume open meeting.** Upon motion by President McKenzie, seconded by Director DeLaup, after full discussion and the question being put to the Board, the Board voted unanimously at 3:44 p.m. to enter into open session. At this time the President announced that the meeting was open to the public and members of the public returned.

The meeting was adjourned at approximately 3:45 p.m.

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The foregoing minutes were passed and approved by the Board of Directors on December 13, 2018.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

