

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7  
MINUTES OF MEETING OF BOARD OF DIRECTORS  
JANUARY 9, 2018**

The Board of Directors (“Board”) of South Shore Harbour Municipal Utility District No. 7 (“District”) met in regular session at its regular meeting place on January 9, 2018 in accordance with the duly posted notice of meeting, with a quorum of Directors present as follows:

Paul Hopkins, Jr., President - Present  
Gene Hill, Vice President - Present  
R. “Chris” Chuoke, Secretary - Present  
Holly Larsen, Deputy Secretary - Present  
Nghiem V. Doan, Director - Present

Also present were Delia Yanez (Assessments of the Southwest) (“ASW”), tax collector representative; Cindy Grimes (Municipal Accounts & Consulting, L.P.) (“MAC”), bookkeeper representative; Jack Carter (Dannenbaum Engineering), engineer representative; Kristin Hooker, HOA Community Manager; Claudia Foutz, District resident; Peter Clark, District resident; and Alexis Walker and Paul Philbin, Counsel, of Paul A. Philbin & Assoc., P.C.

First, the President called the meeting to order and declared it open for such business as might regularly come before it.

Next, the Board considered the approval of prior Minutes. Thereupon, on a motion by Director Doan, seconded by Director Hill, the Board unanimously approved the December 12, 2017 Minutes as presented.

Next, Counsel recognized and welcomed Ms. Kristin Hooker, Ms. Claudia Foutz and Mr. Peter Clark to the meeting, and asked if they had any questions for the Board. Ms. Foutz noted that she did have a question regarding tax exemptions. She noted that a nearby MUD’s tax exemption was \$48,000 for taxpayers over 65 and/or disabled, and asked if this District could adopt the same tax exemptions. Counsel then briefly explained the process for the District adopting tax exemptions and the deadline for doing so. He stated that he would ask the District’s Financial Advisor look into the feasibility of raising the District’s current tax exemptions from \$40,000 to \$48,000; and the impact that this may have on the District’s debt service fund. There was some

discussion regarding the current number of tax accounts in the District that qualify for such exemptions and Counsel noted that this item would be on next month's agenda. Ms. Yanez then reported that exemptions must be filed with the CAD no later than June 30<sup>th</sup>, but she noted that as a good measure, most MUDs adopt them earlier in the tax year to ensure that they are included on the tax roll.

Counsel then asked Ms. Hooker if she would update the Board on HOA activities. Ms. Hooker replied that the HOA recently held its Annual Meeting and that there were concerns expressed regarding the level of communication between the HOA and the residents. She noted that they are working on improving such communication, as well as the HOA's website, noting that they have added a MUD 7 tab to the website. She then stated that overall, the meeting went well. Upon inquiry, Ms. Hooker noted that the HOA's financials have not been audited within the last two years. Ms. Foutz noted that she does have a background in financial accounting and audits and would assist the HOA if they wished. Counsel said that he would recommend that the HOA conduct an audit by an independent auditing firm. There was then a discussion regarding the Commercial Management Association that had been established in the District. Counsel noted that there were some assessment issues in the past, but that this was a matter for the HOA to resolve.

Next, the Board considered approval of the Order Calling the Directors Election. Counsel stated that the election, if necessary, will be held on Saturday, May 5, 2018. He noted that Directors Hopkins and Chuoke were up for election this year. He also noted that the District proposes to hold a joint election with Galveston County or any other authorized governmental entity as opposed to conducting the election by itself, noting that this would be more cost effective. Counsel pointed out that if the Candidates are unopposed, the Election Code allows the District to cancel the election. He also noted that if the election is cancelled, it would save the District approximately \$10,000 - \$12,000 in expenses. Counsel said that the Order Calling the Election makes a joint election the preferred option, but allows the District to conduct its own election if the County or ISD cannot or will not conduct a joint election. Counsel stated that the Order Calling the

Election also has a provision for the Board to appoint Alexis Walker to act as an administrative agent in matters related to the posting of notices and the filing of and acknowledging receipt of applications applying to be on the May 5, 2018 ballot. Counsel then presented the Order Calling the Election and following due discussion, upon a motion by Director Larsen, seconded by Director Doan, the Board unanimously approved the Order Calling the Directors Election (May 5, 2018).

Next, Counsel presented the Notice to File Application for a Place on the Ballot. Counsel then briefly reviewed the Notice which was in both English and Spanish and stated that the Notice was duly posted at his office which is the official office of the District and a public place and building. Counsel said that this posting of Notice met all the legal requirements and no further notifications are required. He also noted that this notice was posted on December 7, 2017 at least thirty (30) days before the start date for candidates to file for a place on the ballot. He said that the time for filing an application for the Directors Election Ballot is from January 17, 2018 to February 16, 2018. He also said that if a Ballot application is not received by 5:00 p.m. on February 16, 2018, a person's name cannot be placed on the ballot. Upon a motion made by Director Hill, seconded by Director Larsen, the Board unanimously ratified and approved the Notice to file the Application for Place on the Ballot.

Next, the Board considered the Engineer's Report. Mr. Carter first addressed agenda item numbered 5 regarding proposed repairs to the outfall pipes (Kroger and apartments). Mr. Carter then presented pictures of the outfall areas in question, noting that there are two (2) outfall pipes for Kroger that look fine at this point. He noted that the drainage pipes transport stormwater properly from the Kroger to the District's drainage system. He then discussed the two (2) outfall pipes in the back of the apartment complex, noting that the first one is included in the original pictures that Ms. Hooker provided to the MUD. He noted that it is the western most pipe in which an underground culvert was built, and portions of it do appear at the water's surface. He noted that there was a small peninsula and rocky area surrounding it that would make it somewhat difficult to do repair work. He noted that the 2<sup>nd</sup> apartment outfall has a larger culvert pipe which sticks out approximately 20

feet and does not look good from an aesthetic standpoint. He stated that there also appears to be some collection of mowing debris near the pipe. He estimated that the cost to repair the 2<sup>nd</sup> outfall pipe would be approximately \$15,000, but that it would essentially be for cosmetic purposes. He also added that there is no real easement at this location, and that he recommends at this point, just leaving it alone. Counsel agreed and reminded the Board of the MUD's responsibility for maintaining and/or repairing any issues that impede the hydraulic functioning of the District's detention/storm sewer system, and that the MUD is not responsible for aesthetic or cosmetic repairs to the system.

Next, Mr. Carter addressed agenda item numbered 6 regarding the status of bulkhead repairs to the detention system by Storm Water Solutions (SWS). Mr. Carter confirmed that SWS is scheduled to begin work this month and that repairs should take up to 2 weeks to complete. Thereupon, on a motion by Director Doan, seconded by Director Larsen, the Board unanimously accepted the Engineer's Report and determined that no action was necessary at this point, relative to repairs of the Kroger and apartment complex outfalls.

Next, the Board considered the Tax Collector's Report and approval of payment of bills from the tax account. Ms. Yanez then presented the Tax Collector's written report and reviewed the receipts and disbursements for the current period. She noted a beginning balance of \$95,427.83, total collections of \$822,594.75 and disbursements totaling \$77,920.67, for an ending balance of \$840,101.91, as of December 31, 2017. She then reviewed the Tax Rate and Value Report on page 2, noting the District's 2017 total net taxable value of \$360,991,615. Next, Ms. Yanez reviewed the Receivables Report as of December 31, 2017, noting that 63.62% of the 2017 taxes have been collected to this point. Ms. Yanez then reported collections to date received in the amount of \$12,255.84. She then presented two (2) wire transfers to the Debt Service Fund (\$735,000.00) and Operating Fund (\$84,158.82) and four (4) checks for the Board's approval, which included two overpayment refunds, and payment of Delinquent Tax Attorney and TAC Quarterly fees, leaving a cash balance of \$27,237.77 as of January 9, 2017. Ms. Yanez then presented the

Collateral Analysis showing sufficient collateralization of funds in the tax account. Lastly, Ms. Yanez presented the delinquent tax roll for review, noting 12 accounts still owing for the 2016 and prior tax years. She reminded the Board that two of the accounts under installment agreements for the payment of outstanding taxes. Thereupon, on a motion by Director Larsen, seconded by Director Chuoke, the Board unanimously accepted the Tax Collector's Report as presented and approved the wire transfers to the Debt and Operating Funds and checks numbered 1361, 1362, 1363 and 1364 to be paid from the tax account.

Next, Ms. Grimes reviewed the Bookkeeping Report. First, she reviewed the Cash Flow Report for the General Fund Checking Account noting a beginning balance of \$683.00, maintenance tax collections (\$7,775.69), interest earned and one (1) wire transfer (\$16,000) from the money market account to pay bills. Ms. Grimes then reviewed the checks for approval today including the standard disbursements for Director per diems and consultants' fees. She also reported payment to the US Treasury for 4<sup>th</sup> Quarter payroll taxes, to BKD for Auditing fees and to RBC Capital Markets for preparation of the 2017 tax rate recommendation and analysis. Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$446,268.59 in total Operating Funds and \$3,838,094.10 in the Debt Service Fund. She reported a grand total balance across all District funds of \$4,284,362.69. She then reviewed the Actual vs. Budget comparison for December 31, 2017 and the District's Balance Sheet as of December 31, 2017. Ms. Grimes then reported that the next debt service payment is due on March 1, 2018 for interest only. Upon inquiry, Ms. Grimes reported that the interest on the District's investment accounts ranges from 0.95% to 1.25%. Director Hopkins then reported that he had seen interest rates in the 1.85% range. Ms. Grimes reported that she would have the District's investment officers look that. Upon inquiry from Ms. Foutz, Ms. Grimes noted that her firm does not provide bookkeeping services to HOAs, per se, but that the company's owner may be able to provide some references for the HOA. Thereupon, on a motion by Director Larsen, seconded by Director Hill, the Board unanimously accepted the

Bookkeeper's report and approved payment of all of the checks/transfers listed in the attached Bookkeeper's Report.

Next, under pending business, Director Doan asked that the Board consider the approval of notice of the deadline to file applications to be on the ballot and authorize Counsel to post the notice in the District's new bulletin board. The Board unanimously approved authorizing the additional posting of the notice. Counsel said he would arrange to post the notice as soon as the filing period begins.

There being no further business to come before the Board, and on a motion made by Director Doan, seconded by Director Larsen, the meeting was unanimously adjourned.

  
Secretary

South Shore Harbour MUD 7 - GOF  
**Cash Flow Report - Checking Account**  
 As of January 9, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 12/13/2017				\$683.00
<b>Receipts</b>				
	Maintenance Tax Collections		7,775.69	
	Interest on Checking		0.49	
	Wire Transfer		<u>16,000.00</u>	
<b>Total Receipts</b>				23,776.18
<b>Disbursements</b>				
3219	Paul Hopkins, Jr.	VOID: Fees of Office - 12/12/2017	0.00	
3224	Gene Hill	Fees of Office - 1/9/2018	(138.52)	
3225	Holly Larsen	Fees of Office - 1/9/2018	(138.52)	
3226	Nghiem Doan	Fees of Office - 1/9/2018	(138.52)	
3227	Paul Hopkins, Jr.	Fees of Office - 1/9/2018	(138.52)	
3228	Robert C Chuoke III	Fees of Office - 1/9/2018	(138.52)	
3229	United States Treasury	2017 4th Qtr Payroll Taxes	(321.32)	
3230	BKD, LLP	Auditing Fees	(15,000.00)	
3231	Dannenbaum Engineering Corporation	Engineering Fees	(1,711.80)	
3232	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,752.67)	
3233	RBC Capital Markets, LLC	2017 Tax Rate	(625.00)	
3234	Paul A. Philbin & Assoc., P.C.	Legal Fees	(3,406.25)	
SVC CHG	Compass Bank	Service Charge	<u>(0.49)</u>	
<b>Total Disbursements</b>				<u>(23,510.13)</u>
BALANCE AS OF 01/09/2018				<u><u>\$949.05</u></u>

COMPASS BANK-CHECKING - #XXXX8767

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of January 9, 2018

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
<b>Fund: Operating</b>					
<b>Certificates of Deposit</b>					
GREEN BANK (XXXX0386)	05/09/2017	02/02/2018	0.65 %	120,000.00	
SPIRIT OF TEXAS BANK (XXXX4813)	07/24/2017	07/24/2018	1.10 %	120,000.00	
<b>Money Market Funds</b>					
TEXAS CLASS (XXXX0001)	04/14/2016		1.23 %	205,319.54	
<b>Checking Account(s)</b>					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	949.05	Checking Account
<b>Totals for Operating Fund:</b>				<b>\$446,268.59</b>	
<b>Fund: Debt Service</b>					
<b>Certificates of Deposit</b>					
PLAINS STATE BANK - DEBT (XXXX8723)	02/02/2017	02/01/2018	0.40 %	240,000.00	
SPIRIT OF TX BANK - DEBT (XXXX3745)	02/07/2017	02/07/2018	0.51 %	245,000.00	
THIRD COAST BANK-DEBT (XXXX2696)	02/16/2017	02/15/2018	0.50 %	245,000.00	
PREFERRED BANK-DEBT (XXXX8568)	02/16/2017	02/16/2018	0.50 %	245,000.00	
FRONTIER BANK - DEBT (XXXX1880)	07/13/2017	07/13/2018	1.00 %	245,000.00	
INTEGRITY BANK - DEBT (XXXX2145)	07/13/2017	07/13/2018	1.00 %	245,000.00	
TEXAS CAPITAL BANK-DEBT (XXXX0215)	08/09/2017	08/10/2018	1.25 %	245,000.00	
CENTRAL BANK - DEBT (XXXX0518)	08/18/2017	08/15/2018	1.15 %	245,000.00	
FIRST STATE BANK-DEBT (XXXX1589)	08/20/2017	08/20/2018	1.10 %	245,000.00	
GREEN BANK - DEBT (XXXX4222)	08/20/2017	08/21/2018	1.10 %	245,000.00	
<b>Money Market Funds</b>					
COMPASS BANK-DEBT (XXXX4504)	09/01/2013		0.25 %	8,454.30	
TEXAS CLASS (XXXX0002)	04/14/2016		1.23 %	1,384,639.80	
<b>Totals for Debt Service Fund:</b>				<b>\$3,838,094.10</b>	
<b>Grand total for South Shore Harbour Municipal Utility District No. 7:</b>				<b>\$4,284,362.69</b>	