

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7
MINUTES OF MEETING OF BOARD OF DIRECTORS
FEBRUARY 13, 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 February 13, 2018 in accordance with the duly posted notice of meeting, with a quorum of Directors present as follows:

Paul Hopkins, Jr., President - Absent
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; Matthew Dustin (RBC Capital Markets), financial advisor representative; Claudia Foutz, District resident; and Alexis Walker and Paul Philbin, Counsel, of Paul A. Philbin & Assoc., P.C.

First, the Vice 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 Chuoke, seconded by Director Doan, the Board unanimously approved the January 9, 2018 Minutes as presented.

Next, Counsel recognized Ms. Claudia Foutz to the meeting, and asked if she had any questions for the Board. Ms. Foutz noted that she did have questions regarding the bulkhead repair project of the detention system, and stated that she would address these questions during the Engineer’s report.

Next, the Board considered agenda item numbered 3 regarding the status of the May 5, 2018 Directors Election and candidate filings. Counsel reported that the Notice to File an Application for a Place on the Ballot, which is required to be posted in the District’s designated office (Counsel’s office) was also posted last month at the District’s designated posting location

(bulletin board near pool area). He noted that there are two positions up for election this year, and that as of yet, the District has received two (2) applications to be on the ballot from the two incumbent officers, Directors Hopkins and Chuoke, and that they are currently unopposed. He reminded the Board that the last day to file to be on the Directors Election Ballot is February 16, 2018. He then said that if an application to be on the ballot is not received by 5:00 p.m. on February 16, 2018, a person's name cannot be placed on the ballot, and that if no other candidates file, the election can be cancelled. Counsel noted that it could cost several thousand dollars to conduct the election. He said no action needs to be taken at this time, and that next month the District will address cancellation of the election.

Next, the Board considered the Engineer's Report. Counsel noted that Mr. Carter should be arriving at the meeting shortly, but asked Ms. Foutz if she had any news to report regarding the bulkhead repair project. She reported that it is her understanding after having talked with Ms. Kristin Hooker (HOA Management), that Storm Water Solutions (SWS) was supposed to move on site last Wednesday, but that they have not as yet, and no repair work has begun. Ms. Foutz added that she has not seen evidence of any work having begun either, and that Ms. Hooker asked her to get an update from the Board. Counsel stated that when Mr. Carter arrives, he can address the status of the repair work in more detail.

Counsel asked if Ms. Foutz had any more questions, and she stated that she did want to thank Counsel's office and Mr. Carter for information they provided on the MUD regarding a monthly article that she is preparing for the HOA's website. She noted that she found particularly helpful, Mr. Carter's landscaping documentation for the MUD, which should prove very helpful for the HOA as they move forward with their projects. Ms. Foutz noted that the website now contains a section for MUD 7 news and information. She noted that they are still coordinating timing of submission of her articles to be timely posted on the website, but that she believes it will be an effective tool in improving communication to the residents regarding the MUD. Counsel thanked

Ms. Foutz for her work in helping facilitate communication between the MUD and HOA, and for her time in attending the District meetings. At this point, Mr. Carter entered the meeting room.

Mr. Carter then addressed agenda item numbered 4 regarding the status of bulkhead repairs to the detention system by Storm Water Solutions. Mr. Carter stated that the weather has been a significant issue with many contractors' projects across the area, and stated that it has just been too wet for SWS to move on site and begin work at this point. He added that attempting to work under these conditions would likely do more damage to the detention system's perimeter than not. He stated that he will follow up with them, but is hopeful that if weather conditions improve soon, they should be able to move on site this month. No action being necessary, the Board accepted the Engineer's Report as presented.

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 \$840,101.91, total collections of \$405,183.51 and disbursements totaling \$825,319.98, for an ending balance of \$419,965.44, as of January 31, 2018. She then reviewed the Tax Rate and Value Report on page 2, noting the District's 2017 total net taxable value of \$361,916,680. Next, Ms. Yanez reviewed the Receivables Report as of January 31, 2018, noting that 91.94% of the 2017 taxes have been collected to this point. Ms. Yanez then reported collections to date received in the amount of \$0.00. She then presented two (2) wire transfers to the Debt Service Fund (\$345,000.00) and Operating Fund (\$41,322.51), three (3) checks for the Board's approval and one (1) check to void due to misprint. The checks for payment included an overpayment refund, and payment of Delinquent Tax Attorney and GCAD Quarterly fees, leaving a cash balance of \$29,237.85 as of February 13, 2018. 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 11 accounts still owing for the 2016 and prior tax years. She then discussed the two accounts that are paying under installment agreements and noted that the Arthur account is current,

while there has been no installment payment by the Leslie account received as yet. Counsel stated that his office would follow up with the Leslie account regarding their outstanding payments. Thereupon, on a motion by Director Hill, seconded by Director Chuoke, the Board unanimously accepted the Tax Collector's Report as presented, approved the wire transfers to the Debt and Operating Funds, checks numbered 1365, 1367 and 1368 to be paid from the tax account, and the voiding of check numbered 1366.

Next, the Board considered agenda item numbered 6 regarding the District's Financial Advisor's report regarding feasibility of adopting \$48,000 tax exemptions for property owners over 65 and/or disabled. Mr. Matthew Dustin then introduced himself to the Board and to Ms. Foutz. He then distributed and reviewed the Over 65 and Disabled Persons Exemptions and the 2018 Tax Rate Analysis forms (attached hereto). He noted that the first schedule shows a comparison of the current exemption (\$40,000) to the proposed \$48,000 tax exemption for taxpayers over 65 and/or disabled with the District's current tax rate. He noted the second analysis shows how this proposed exemption will affect the District over time. He then stated that the proposal for raising the tax exemption to \$48,000 is completely feasible with very little, if any, impact on the District's tax rate or debt service obligations.

There was then a discussion regarding the current number of taxpayers eligible for the exemption and Mr. Dustin explained that the exemption is an "either or" scenario. A taxpayer can be either 65 and over or disabled to qualify for the exemption. He then noted that there are currently 13 persons qualifying for the disabled tax exemption and 160 that qualify for the 65 and over tax exemption. He then stated that those numbers may certainly change in the future, but based on the current number of exemptions, raising the exemption to \$48,000 is certainly feasible. There was then a discussion about homestead exemptions, which have not been adopted by the District. It was noted that adopting a homestead exemption would significantly impact the District's tax rate. He noted that the 2018 Tax Rate Analysis takes into account the District's proposed cash redemption (September 1, 2018) of its outstanding 2008 Bonds. There was then a discussion regarding the

recommended amount of reserve in the debt fund. Mr. Dustin noted that most financial advisors and the TCEQ recommend that coverage of debt obligations not fall below 50% of the debt service reserves. He noted that the District is in good shape with regard to its debt reserves and that this 2018 Tax Rate Analysis assumes no change in the tax rate. The Board then thanked Mr. Dustin for his tax exemption and tax rate analyses.

Next, the Board considered approval of a Resolution Adopting Tax Exemptions for the 2018 tax year. Counsel noted that in 2017, the District adopted a \$40,000 exemption for individuals 65 and over and/or disabled and no homestead exemption. Ms. Yanez confirmed that 160 taxpayers are 65 and over while 13 are disabled and able to claim the tax exemption. The Board then discussed the matter and determined that increasing the 65 and over and disabled exemption to \$48,000 would be economically feasible and would provide well deserved help to District residents who are 65 and over or disabled. Following due discussion, on a motion by Director Doan, seconded by Director Larsen, the Board unanimously approved the Resolution authorizing a \$48,000 tax exemption for individuals 65 and over and/or disabled and no homestead exemption for the 2018 tax year.

Next, the Board considered approval of the Resolution authorizing the levy of an additional penalty (20%) for delinquent taxes on April 1st for business personal property and July 1st, for real property. Counsel presented the Resolution and stated that it will allow for a 20% collection penalty to be assessed on April 1, for business personal property. He noted that the April 1 date only applies to business personal property and that the 20% penalty for real property starts on July 1. Following due discussion, and on a motion by Director Larsen, seconded by Director Hill, the Board unanimously approved the Resolution authorizing the levy of an additional penalty (20%) for delinquent taxes on April 1, for business personal property and July 1, for real property.

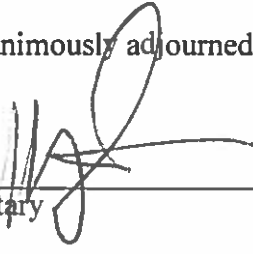
Next, the Board considered approval of a new Legal Services Agreement. Counsel stated that the current Agreement for Legal Services has not been updated or amended since 2001.

He noted that the current rates include a \$500.00 fee for attendance at District meetings and preparation of monthly minutes and an hourly rate of \$200.00 for the Attorney. Counsel discussed the new agreement with the Board and the proposed new hourly rates of \$250 for the Junior Attorney (Dax Philbin) and \$300 per hour for the Senior Attorney. Counsel also noted a proposed change in the rate charged for meeting attendance and minute preparation, which would change from a \$500.00 flat fee to a \$750.00 flat fee. Counsel then reviewed the changes to the rate structure for New Money and Refunding Bonds, as well Bond Anticipation Notes and Tax Anticipation Notes. He said that the new contract fees compare very favorably to the fees charged by other law firms in the MUD industry. He did also note the increase in costs of doing business in terms of rent, insurance, and other day to day costs. Ms. Foutz inquired as to the anticipated increased cost to the MUD, noting that some residents have expressed a desire to see a lowering of the maintenance and operations tax rate. Counsel said that the new contract should have a minimal effect on the budget and noted that a future reduction in the operations and maintenance tax is possible. In that regard, the Board would evaluate the funds for special projects such as detention system repairs. Following due discussion, and on a motion by Director Larsen, seconded by Director Doan, the Board unanimously approved the new Legal Services contract.

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 \$949.05, interest earned and one (1) wire transfer (\$9,000) from the money market account for payment of bills. Ms. Grimes then reviewed the checks for approval today including the standard disbursements for Director per diems and consultants' fees. She noted that check numbered 3238 to Director Hopkins would be voided, given his absence from today's meeting. Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$524,304.88 in total Operating Funds and \$4,575,857.05 in the Debt Service Fund. She reported a grand total balance across all District funds of \$5,100,161.93. Ms. Grimes stated that CD interest rates are beginning to rise, but they are still a little below the rate of the Texas Class accounts (1.39%).

Ms. Grimes then reviewed the Actual vs. Budget comparison for January 31, 2018 and the District's Balance Sheet as of January 31, 2018. She noted that the next debt service payment is due on March 1, 2018 for interest only. Ms. Grimes then reported that registration for the AWBD Summer Conference, which takes place in San Antonio this year from June 21 - June 24, begins on February 21, 2018, if any Directors are interested in attending. Lastly, Ms. Grimes presented the Quarterly Investment Report for the period ending November 30, 2017, noting the principal and book values on the District's investment and that no loss in principal is guaranteed. Thereupon, on a motion by Director Hill, seconded by Director Chuoke, the Board unanimously accepted the Bookkeeper's report, approved payment of all of the checks/transfers listed in the attached Bookkeeper's Report and approved the Quarterly Investment Report for the period ending November 30, 2017.

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.


DEPUTY Secretary

South Shore Harbour MUD 7 - GOF
Cash Flow Report - Checking Account
 As of February 13, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 01/10/2018				\$949.05
Receipts				
	Interest on Checking		1.47	
	Wire Transfer		9,000.00	
Total Receipts				9,001.47
Disbursements				
3235	Gene Hill	Fees of Office - 2/13/2018	(138.53)	
3236	Holly Larsen	Fees of Office - 2/13/2018	(138.53)	
3237	Nghiem Doan	Fees of Office - 2/13/2018	(138.53)	
3238	Paul Hopkins, Jr.	Fees of Office - 2/13/2018	(138.53)	
3239	Robert C Chuoke III	Fees of Office - 2/13/2018	(138.53)	
3240	Dannenbaum Engineering Corporation	Engineering Fees	(1,494.00)	
3241	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,282.46)	
3242	Paul A. Philbin & Assoc, P.C.	Legal Fees	(3,586.75)	
SVC CHG	Compass Bank	Service Charge	(1.47)	
Total Disbursements				(7,057.33)
BALANCE AS OF 02/13/2018				<u>\$2,893.19</u>

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of February 13, 2018

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
Fund: Operating					
Certificates of Deposit					
SPIRIT OF TEXAS BANK (XXXX4813)	07/24/2017	07/24/2018	1.10 %	120,000.00	
THIRD COAST BANK, SSB (XXXX9253)	02/02/2018	10/30/2018	1.20 %	120,000.00	
Money Market Funds					
TEXAS CLASS (XXXX0001)	04/14/2016		1.39 %	281,411.69	
Checking Account(s)					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	2,893.19	Checking Account
Totals for Operating Fund:				\$524,304.88	
Fund: Debt Service					
Certificates of Deposit					
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	
ICON BANK - DEBT (XXXX5136)	02/02/2018	02/01/2019	1.25 %	240,000.00	
SPIRIT OF TX BANK - DEBT (XXXX3745)	02/07/2018	02/07/2019	1.25 %	245,000.00	
Money Market Funds					
COMPASS BANK-DEBT (XXXX4504)	09/01/2013		0.25 %	8,454.30	
TEXAS CLASS (XXXX0002)	04/14/2016		1.39 %	2,122,402.75	
Totals for Debt Service Fund:				\$4,575,857.05	
Grand total for South Shore Harbour Municipal Utility District No. 7:				\$5,100,161.93	

South Shore Harbour MUD No. 7 Over 65 and Disabled Person Exemptions⁽¹⁾

Current - \$0.35 I&S Tax Rate w/Current Exemptions

Tax Rate	\$	0.35
Total Certified Assessed Value on January 1, 2017 ⁽²⁾	\$	366,700,692
2017 Disabled Persons (13) Exemption Amount	\$	440,000
2017 Over 65 (160) Exemption Amount	\$	6,160,000
Total Certified Taxable Assessed Value as of 01/01/2017	\$	360,100,692
Tax Rate Collection Assumption		97%
Property Tax Revenues received by the District	\$	1,222,542

\$48,000 Exemption - \$0.35 I&S Tax Rate in 2018

Tax Rate	\$	0.35
Total Certified Assessed Value on January 1, 2017 ⁽²⁾⁽³⁾	\$	366,700,692
Projected 2018 Disabled Persons (13) Exemption Amount ⁽⁴⁾	\$	624,000
Projected 2018 Over 65 (160) Exemption Amount ⁽⁵⁾	\$	7,680,000
Projected Total Certified Taxable Assessed Value as of 01/01/2018	\$	358,396,692
Tax Rate Collection Assumption		97%
Property Tax Revenues received by the District	\$	1,216,757

⁽¹⁾ 2017 Homestead information provided by the Galveston Central Appraisal District ("GCAD").

⁽²⁾ Prior to Over 65 and Disabled Person Exemptions.

⁽³⁾ Based on no increase from the Total Certified Assessed Value on January 1, 2017.

⁽⁴⁾ Assumes the same amount of registered Disabled Persons as 2017 (13).

⁽⁵⁾ Assumes the same amount of registered Over 65 Persons as 2017 (160).



SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT No. 7

2018 Tax Rate Analysis

Based on an Over 65 and Disabled Persons Exemption of \$48,000

Year Ending 12/31	Beginning Fund Balance as of 09/02/2017	Fund Interest Earnings @ 1.130%	Prior Year Taxable AV	Tax Rate / \$100 of Assessed Value	Tax Collections @ 97.00%	Total Funds Available	Current Debt Service	Proposed Cash Redemption Series 2008	Total Debt Service	Ending Balance	Subsequent Year Debt Service Coverage %
2017	\$ 3,755,537		\$ 341,924,488		1,222,542	\$ 3,755,537		580,000	1,970,698	\$ 3,755,537	242.721%
2018	3,755,537	42,438	360,100,692	0.350000	1,216,757	5,020,516	1,390,698		1,256,510	3,049,819	240.172%
2019	3,049,819	34,463	358,396,692	0.350000	1,216,757	4,301,039	1,267,645		1,267,645	3,044,529	237.919%
2020	3,044,529	34,403	358,396,692	0.350000	1,216,757	4,279,017	1,272,720		1,272,720	3,028,043	234.598%
2021	3,028,043	34,217	358,396,692	0.350000	1,216,757	4,257,025	1,281,468		1,281,468	3,006,297	203.991%
2022	3,006,297	33,971	358,396,692	0.350000	1,216,757	4,225,938	1,458,668		1,458,668	2,975,558	190.523%
2023	2,975,558	33,624	358,396,692	0.350000	1,216,757	4,015,298	1,452,458		1,452,458	2,562,840	175.565%
2024	2,767,271	31,270	358,396,692	0.350000	1,216,757	3,808,557	1,459,768		1,459,768	2,348,789	158.327%
2025	2,562,840	28,960	358,396,692	0.350000	1,216,757	3,592,088	1,483,508		1,483,508	2,108,580	141.710%
2026	2,348,789	26,541	358,396,692	0.350000	1,216,757	3,349,164	1,487,958		1,487,958	1,861,206	124.089%
2027	2,108,580	23,827	358,396,692	0.350000	1,216,757	3,098,995	1,499,893		1,499,893	1,599,102	105.222%
2028	1,861,206	21,032	358,396,692	0.350000	1,216,757	2,833,929	1,519,743		1,519,743	1,314,186	86.676%
2029	1,599,102	18,070	358,396,692	0.350000	1,216,757	2,545,793	1,516,200		1,516,200	1,029,593	67.294%
2030	1,314,186	14,850	358,396,692	0.350000	1,216,757	2,257,984	1,530,000		1,530,000	727,984	47.407%
2031	1,029,593	11,634	358,396,692	0.350000	1,216,757	1,952,967	1,535,600		1,535,600	417,367	27.300%
2032	727,984	8,226	358,396,692	0.350000	1,216,757						
Totals										580,000	23,521,633

