

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7  
MINUTES OF MEETING OF BOARD OF DIRECTORS  
NOVEMBER 14, 2017**

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 November 14, 2017 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; Kevin Jennings; HOA Representative and District resident; Claudia Foutz, 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. Director Larsen noted a correction on Page 1 to show that Director Hill was present at the last Board meeting. Thereupon, on a motion by Director Larsen, seconded by Director Hill, the Board unanimously approved the October 10, 2017 Minutes as corrected.

Next, Counsel recognized and welcomed the visitors, Mr. Jennings and Ms. Foutz, who were present at the meeting and asked if they had any questions for the Board. Ms. Foutz noted that she did not have any specific MUD related questions at this point, but did note that she has concerns with the HOA’s procedure for posting notice of its meetings. There was a discussion regarding requirements for posting of such notices within 72 hours of the meeting and that she had been in contact with the HOA’s property manager several times to find out when exactly the HOA would be meeting, to no avail. She noted that she also regularly checked the website for updated meeting information, and was able to

determine the time of the meeting, only hours before its commencement. She also noted that when she attended the meeting, she did not believe that the Board was responsive to her concerns. Director Doan then interjected that he had no idea that the HOA had met, and stated that he had asked the HOA's property manager multiple times to e-mail him regarding the next HOA meeting. Director Doan then noted that he agrees that there are significant problems with the HOA communicating with its residents regarding its meetings and general activities. He then stated that it does not give him much confidence in working with the MUD to allocate its funds to the HOA for improvement projects. Counsel agreed with Director Doan and said that the HOA really needs to do a better job in its working with the District. There was then a discussion regarding utilizing the new bulletin board for posting of such HOA Meeting notices, as well as posting notices on the HOA's website. Ms. Foutz indicated that it has been very difficult to obtain clear information on the HOA's activities and meeting times/dates. Mr. Jennings acknowledged that there have been problems with the HOA's communication to its residents, and stated that the HOA is working to rectify these issues and to make sure that the residents are properly notified of HOA meetings/activities. Counsel noted that this would be a step in the right direction and that further joint projects would not be possible without improved communications and transparency.

Next, the Board considered the Engineer's Report. Mr. Carter then addressed agenda item numbered 4 regarding the status of approval of the Lakes of South Shore HOA to participate in the payment of the Storm Water Solutions proposal to repair the detention system. Mr. Jennings noted that the HOA is on board with the proposal and ready to participate. Counsel stated that his office had received an e-mail from Ms. Kristin Hooker, indicating that the HOA had approved moving forward with their prorata share of the proposed detention repair project (\$24,000) which addresses 6 areas of concern along the long linear lake. Counsel stated that given the amount of the project, it is his recommendation that the District release the contract proposal for execution by Storm Water Solutions, and have the HOA reimburse the District its pro rata share (\$12,000). Ms. Foutz then inquired about timing of the project. Counsel stated that he believed that Storm Water Solutions (SWS) could likely begin work within a couple of weeks. Mr. Carter stated that it would likely be sometime after the Thanksgiving Holiday.

Mr. Carter then presented a picture (attached hereto) of the 6 areas in question, where Storm Water Solutions has proposed to do bulkhead repairs, backfill areas and do sod repair. He noted that he had met with Ms. Kristin Hooker and Mr. Kevin Jennings and drove around the 3 lakes to determine other areas of erosion problems and as discussed last month, there is an option called a geo sock, which can be applied over the erosion areas and through which grass can grow, to help prevent future erosion. He noted that there were roughly 10,000 linear feet along the lakes that could benefit from the erosion control. He then presented a picture (attached hereto) showing where the geo sock could be used. He noted that this would be a much more expensive project totaling approximately \$20.00 - \$25.00 a linear foot, depending on the scale of the project. There was a lengthy discussion about the MUD's role and Counsel reminded the Board of the Detention Pond Maintenance Agreement between the HOA and the District which outlines that the HOA is responsible for all of the non storm water detention functions (i.e. aesthetics, etc.) and that the District is responsible for maintaining the storm water detention/drainage capacity of the ponds. There were then questions as to if the geo sock project was necessary to maintain the drainage integrity of the lakes. Director Larsen indicated that the scope of this type of project is on a much higher level and authorizing the MUD to participate in such a project would need to be considered very carefully. Counsel said that a case can be made either way, but the longer the problem exists, the more the ditch will become silted and this may well be a case where an ounce of prevention is worth a pound a cure. Counsel noted that, in general, there is a benefit to working in conjunction with the HOA while trying to protect the best interests of the MUD and the betterment of the community as a whole. Counsel recommended that they hold this proposal of the geo sock under advisement.

There were then questions regarding the 2outfalls (Multifamily Complex and Kroger), and repairs that may be needed for them. Mr. Carter noted that they are private outfalls. It was noted that there is a public easement for the entire detention area, but not the outfalls. Upon inquiry, Mr. Carter stated that he does not believe that there is Maintenance Agreement between the Multifamily Complex and Kroger and the District. Counsel stated that he believed that the District should be repairing the outfalls, given that they are within a public easement. Mr. Carter stated that both Kroger and the Multifamily

complex built the respective outfalls. Counsel recommended that the Engineer review the 2 outfalls and determine what SWS could do to address the repairs when they are working on the bulkhead repairs. Thereupon, on a motion by Director Chuoke, seconded by Director Hopkins, the Board unanimously authorized the Engineer to review the 2 outfalls and necessary repairs, obtain a proposal from SWS for the outfall repairs and authorized release of the SWS bulkhead repairs proposal (\$24,000) to SWS to begin the repair work on the long linear lake.

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 \$25,246.48, total collections of \$4,449.14 and disbursements totaling \$5,412.25, for an ending balance of \$24,283.37 as of October 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 October 31, 2017, noting that 99.64% of the 2016 taxes have been collected to this point. She noted that the report will soon show the collection rate for the 2017 taxes. Ms. Yanez then reported collections to date received in the amount of \$37,603.04. She then presented five (5) checks for the Board's approval, which included a transfer to the Operating Fund (\$101.55), two value reduction refunds and payment for Delinquent Tax Attorney and GCAD Quarterly fees, leaving a cash balance of \$56,877.59 as of November 14, 2017. Ms. Yanez then presented the delinquent tax roll for review, noting 12 accounts owing for the 2016 tax year, and two accounts under installment agreements for the payment of outstanding taxes. Thereupon, on a motion by Director Doan, seconded by Director Larsen, the Board unanimously accepted the Tax Collector's Report as presented and approved checks numbered 1354, 1355, 1356, 1357 and 1358 to be paid from the tax account.

Next, the Board considered agenda item numbered 6 regarding the Assignment of and Amendment to the Tax Collector/Assessor's Contract. Counsel noted that the Tax Collector is requesting an assignment from the current contracting entity, Thomas W. Lee, RTA to Assessments of the Southwest, Inc. ("ASW"). Counsel noted that in the past, the law required that an individual person, duly licensed, be

the Tax Collector. The law changed and now corporate entities can contract to be the Tax Collector. Most Tax Collectors now operate corporately and this does reduce individual liability. Counsel then addressed the requested Amendment to the Tax Collector's Contract. Counsel noted that Assessments of the Southwest is requesting to increase the hourly rate for the Registered Tax Assessor to \$150.00 per hour and the Non-Registered Tax Assessor to \$75.00 per hour. Counsel noted that the base fee or rate per account (\$0.95) would be raised to \$0.98, with a minimum of \$3,600 per year base fee. Lastly, Counsel noted that Additional fees (flat fees) for ASW's work related to the Annual Disclosure Filing (\$500.00) and for new money bond issues (\$1,000) have not changed. He stated that ASW is requesting a \$750.00 flat fee for their work related to refunding bond issues and to raise the return envelope rate from \$0.04 to \$0.05. He recommended approval of the Assignment and the First Amendment to the Tax Collector's contract, noting that these fees are competitive within the MUD industry. Thereupon on a motion by Director Doan, seconded by Director Chuoke, the Board unanimously approved the Assignment and Assumption of the Tax Collector's Contract from Thomas W. Lee, RTA to Assessments of the Southwest, Inc. and approved the First Amendment to the Tax Collector's Contract effective January 1, 2018.

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 \$1,182.26, maintenance tax collections (\$21.67), interest earned and one (1) wire transfer (\$10,000) 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. Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$467,862.68 in total Operating Funds and \$3,765,074.80 in the Debt Service Fund. She reported a grand total balance across all District funds of \$4,232,937.48. Ms. Grimes noted that they will continue to keep a larger portion of the debt service fund in Texas Class given the higher interest rate. She then reviewed the Summary of Pledged Securities, noting that all of the District's funds are secured and in compliance with the District's Investment Policy. Next, Ms. Grimes reviewed the Actual vs. Budget comparison for the October 31, 2017, noting that the budget looks good

for the last month of the fiscal year. She then reported that the next debt service payment is due on March 1, 2018 for interest only.

At this point, Director Hopkins inquired about the Operating Funds and the amount of reserve. It was noted that the benchmark reserve is approximately 1 year's worth of funds, and that the District has a very healthy reserve and is in good financial shape. Counsel noted that the District could deduct some of its reserve for discretionary projects with limitations on what the District can spend, given that all funds are tax generated. He stated that the District is not authorized to spend park funds, but that it could use its funds for drainage projects. Depending on the scope of the project, the District may need to submit an application to the TCEQ for approval including a cost sharing agreement. Counsel noted that the TCEQ rules do allow, in certain cases, the use of surplus funds without Commission approval. He then noted that operating funds can always be transferred into the debt fund, and that these are things to take into consideration as the District attempts to work with the HOA on such projects. Thereupon, on a motion by Director Chuoke, 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, the Board considered agenda item numbered 8 regarding ratification and approval of the Amendment to the District's Collateral and Security Agreement with Central Bank of Houston. Counsel noted that at last month's meeting the Board approved the Amendment which allows Trust Receipts to be forwarded to the Central Bank of Houston with instructions for the Bank to immediately forward the same to the Depositor, if the Custodian Bank is the Federal Home Loan Bank (FHLB) Dallas. He noted that this item was not on the agenda, and recommended the Board ratify and approve the amendment to the Collateral Security Agreement. Thereupon, on a motion by Director Hill, seconded by Director Chuoke, the Board unanimously ratified and approved the Amendment to the Collateral Security Agreement with Central Bank of Houston.

Next, the Board considered agenda item numbered 9 regarding approval of the Annual Eminent Domain Reporting and appropriate action. Counsel said that his office has made the required filing with the Texas State Comptroller's Office. He noted that two years ago the law was changed and now,

Governmental Entities with condemnation powers, must file a report with the Comptroller to maintain their eminent domain authority. Thereupon, on a motion by Director Larsen, seconded by Director Doan, the Board unanimously approved the attorney's filing of the required Annual Eminent Domain Report with the Texas Comptroller of Public Accounts.

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 November 14, 2017

Num	Name	Memo	Amount	Balance
<b>BALANCE AS OF 10/11/2017</b>				<b>\$1,182.26</b>
<b>Receipts</b>				
	Maintenance Tax Collections		21.67	
	Interest on Checking		0.40	
	Wire Transfer		<u>10,000.00</u>	
<b>Total Receipts</b>				<b>10,022.07</b>
<b>Disbursements</b>				
3207	The Beergarden	10/10/17 meeting	(166.88)	
3208	Gene Hill	Fees of Office - 11/14/2017	(138.53)	
3209	Holly Larsen	Fees of Office - 11/14/2017	(138.53)	
3210	Nghiem Doan	Fees of Office - 11/14/2017	(138.52)	
3211	Paul Hopkins, Jr.	Fees of Office - 11/14/2017	(138.52)	
3212	Robert C Chuoke III	Fees of Office - 11/14/2017	(138.53)	
3213	Dannenbaum Engineering Corporation	Engineering Fees	(3,870.94)	
3214	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,953.09)	
3215	Paul A. Philbin & Assoc., P.C.	Legal Fees	(4,086.75)	
SVC CHG	Compass Bank	Service Charge	<u>(0.40)</u>	
<b>Total Disbursements</b>				<b>(10,770.69)</b>
<b>BALANCE AS OF 11/14/2017</b>				<b><u><u>\$433.64</u></u></b>

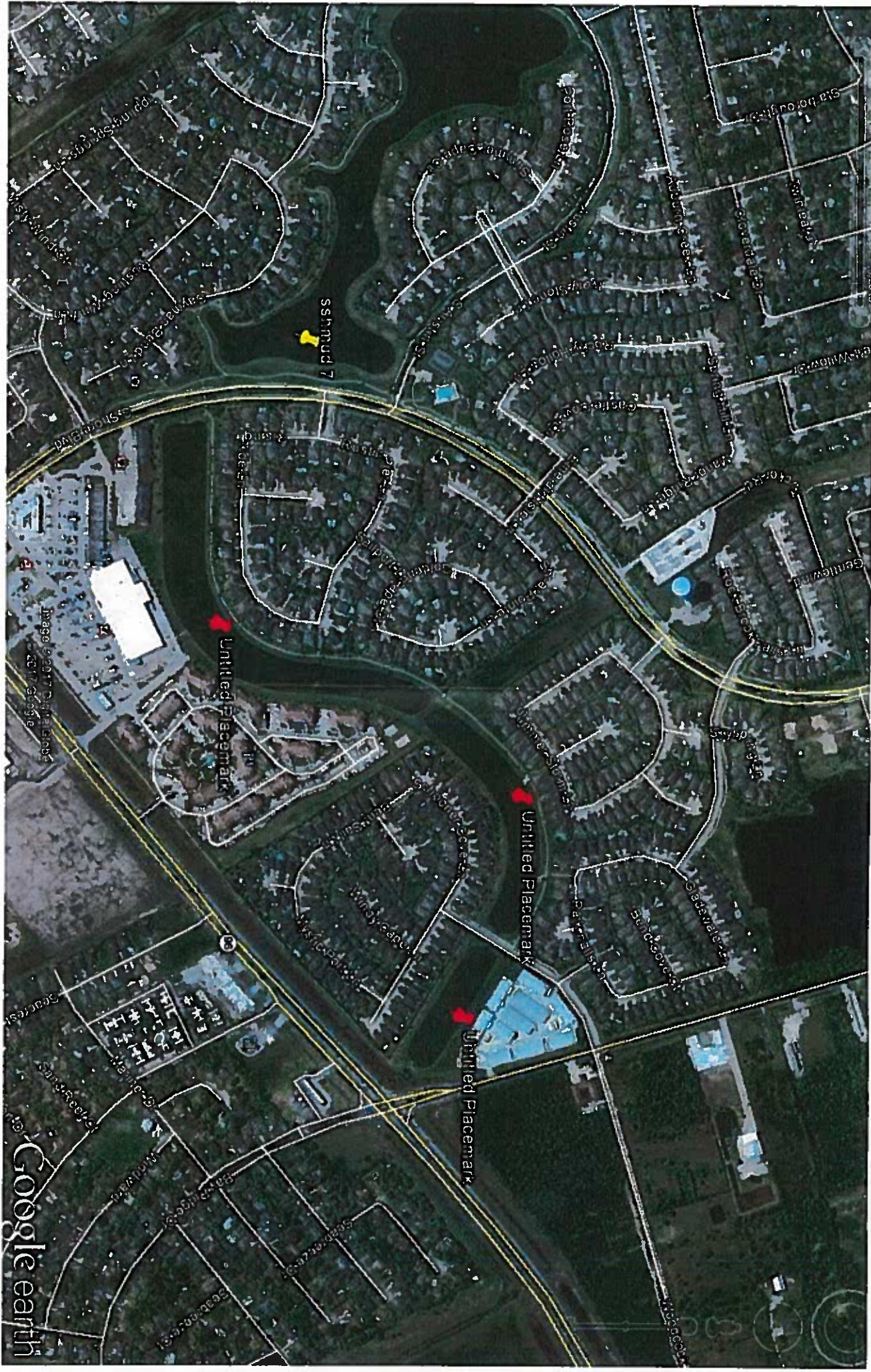


**South Shore Harbour Municipal Utility District No. 7**

**Account Balances**

As of November 14, 2017

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
<b>Fund: Operating</b>					
<b>Certificates of Deposit</b>					
INDEPENDENT BANK (XXXXX5271)	02/26/2017	11/23/2017	0.35 %	100,000.00	
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 %	127,429.04	
<b>Checking Account(s)</b>					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	433.64	Checking Account
<b>Totals for Operating Fund:</b>				<b>\$467,862.68</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 %	1,311,620.50	
<b>Totals for Debt Service Fund:</b>				<b>\$3,765,074.80</b>	
<b>Grand total for South Shore Harbour Municipal Utility District No. 7:</b>				<b>\$4,232,937.48</b>	



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