

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7
MINUTES OF MEETING OF BOARD OF DIRECTORS
JUNE 12, 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 June 12, 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; Claudia Foutz, District resident; Janina Wojtkowski, City of League City intern; 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 Larsen, seconded by Director Chuoke, the Board unanimously approved the May 8, 2018 Minutes as presented.

Next, Counsel recognized Ms. Janina Wojtkowski and Ms. Claudia Foutz to the meeting, and asked if they had any questions for the Board. Ms. Wojtkowski stated that she was a legal intern for the City Legal Department and worked with Director Doan. She said that she was interested in learning more about MUD operations. Ms. Foutz noted that she did have questions regarding Tucker Lake, and in particular, who owns the lake. She stated that she has been receiving questions from residents regarding the various detention ponds and who is responsible for maintaining them. Counsel noted that the District owns Tucker Lake, sometimes referred to as the square lake as well as the other detention ponds and is responsible for maintaining the hydraulic and

drainage functions of the ponds. Ms. Foutz then stated that there have also been concerns raised with respect to Tucker Lake and problems including vandalism and large gatherings of youth in the area late into the night. There were questions regarding ways to decrease the problems including additional lighting and signage. Counsel noted that the MUD has coordinated with the League City Police Department in the past regarding the matter and installed No Parking and No Trespassing signs, as well as authorized the police to arrest and file charges for individuals trespassing on the District's property. Counsel stated that there was a Detention Pond Maintenance Agreement signed between the MUD and the Lakes of South Shore Harbour Civic Association in 2004 which outlined the maintenance responsibilities for both the MUD and HOA. Director Hopkins then stated that MUD paid for erosion control and drainage repair work near Tucker Lake not long ago. It was noted that landscaping maintenance was the responsibility of the HOA. Counsel noted that he can put an item on the District's next agenda to discuss the concerns being raised, including lake maintenance, lighting, etc. Ms. Foutz thanked the Board and asked if they could address this issue on the August agenda, when she would be available to participate in the discussion. The Board agreed and Counsel stated that he would include such an item on the District's August agenda.

Mr. Carter entered the meeting room at this point.

Next, the Board considered the Engineer's Report. Mr. Carter reported the sodding work on the six repaired sites has been completed and that they have filled the sink hole with dirt. He stated that the payment to Storm Water Solutions can be released. He also noted that they have cleaned out the drain and a manhole full of floating debris, noting that this should alleviate the flooding problems that occurred on some of the streets last year. Counsel then asked the engineer to be prepared to discuss some of the concerns noted around Tucker Lake as there will be an August agenda item to discuss maintenance and related issues near the lake. Thereupon, on a motion by Director Hill, seconded by Director Doan, the Board unanimously accepted the Engineer's Report as presented and authorized Mr. Carter to look into the history of Tucker Lake and what needs can be addressed by the Board.

Next, the Board considered the Tax Collector's Report. 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 \$38,482.00, total collections of \$5,636.17 and disbursements totaling \$11,240.07, for an ending balance of \$32,878.10, as of May 31, 2018. She then reviewed the Tax Rate and Value Report on page 2, noting the District's 2017 total net taxable value of \$361,856,335. Next, Ms. Yanez reviewed the Receivables Report as of May 31, 2018, noting that 99.30 % of the 2017 taxes have been collected to this point. She then presented three (3) checks for the Board's approval. The checks for payment included a transfer to the Operating Fund (\$463.67) and payment of Delinquent Tax Attorney and CAD Quarterly fees, leaving a cash balance of \$29,070.69 as of June 12, 2018. Upon inquiry, Ms. Yanez briefly explained how the amount billed to the District by the CAD is determined, noting that the District is allocated a percentage of the total budget of the CAD based on the District's assessed value in relationship to the CAD's overall value.

Ms. Yanez then presented the delinquent tax roll for review. She provided an update on the Arthur account noting that they have paid their 2017 taxes and were making regular payments on their installment plan for the 2015 and 2016 taxes owed. However, she stated that the last installment payment for the Arthur account was made in February. Counsel stated that his office would follow up with the Arthur account. Ms. Walker then provided an update on the Leslie account and noted that the Mr. Dax Philbin had contacted Ms. Leslie, who informed Counsel that they are planning to pay off all taxes owed by June 25, 2018. Following due discussion, and on a motion by Director Hill, seconded by Director Larsen, the Board unanimously accepted the Tax Collector's Report as presented, and approved checks numbered 1382, 1383 and 1384 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 \$562.03, interest earned, maintenance tax collections (\$881.53) and one (1) wire transfer (\$34,000) 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, as well as payment to Storm Water Solutions (\$24,000) for detention repair work. She stated that she has billed the HOA for half of the detention repair invoice.

Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$520,874.81 in total Operating Funds and \$4,709,349.81 in the Debt Service Fund. She reported a grand total balance across all District funds of \$5,230,224.62. Ms. Grimes then reviewed the Actual vs. Budget comparison for May 31, 2018 and the District's Balance Sheet as of May 31, 2018. She noted that the next debt service payment is due on September 1, 2018. Ms. Grimes then reported on current registration for the AWBD Summer Conference, noting that Director Doan is registered to attend the conference and provided an expense report envelope to Director Doan. Thereupon, on a motion by Director Hopkins, seconded by Director Chuoke, 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 approval of the Order authorizing the cash defeasance of the 2022 Maturity from the District's Series 2008 Bonds. Counsel reminded the Board that the Financial Advisor stated that there was an opportunity for a cash defeasance of the 2022 maturity (Term Bond) in the amount of \$580,000, which is callable on or after September 1, 2018 and recommended that the Board proceed with the cash defeasance. Counsel then presented the Certificate for and the Order authorizing the cash defeasance for execution. Thereupon, on a motion by Director Hopkins, seconded by Director Chuoke, the Board unanimously approved and executed the Certificate and accompanying Order.

Next, the Board considered approval of the Instruction Letter to the Paying Agent (Bank of New York) for the Series 2008 Bonds authorizing defeasance of certain callable maturities, approval of the Incumbency Certificate and approval of all necessary actions to implement the defeasance. Counsel stated that in order to implement the cash redemption and call of these certain bonds there needs to be an Instruction Letter and request to the Paying Agent to issue the required

Notice of Redemption to the holders of the bonds. He then presented for approval the Letter of Instruction to the Paying Agent authorizing the cash defeasance of the 2022 maturity from Series 2008 Bonds and the Incumbency Certificate. Counsel stated that they are planning to effectuate the redemption/defeasance on September 5, 2018, given that September 1, 2018 falls on the Saturday before the Labor Day holiday. He noted that the Bookkeeper will receive a letter from the Financial Advisor prior to September 5 outlining the amount (principal and interest through September 5) to be wired to the Paying Agent. Following due discussion and on a motion by Director Hopkins, seconded by Director Chuoke, the Board unanimously approved the Instruction Letter and the Notice of Redemption to the Paying Agent and the updated Incumbency Certificate.

Next, the Board considered review of the District's Investment Policy, Travel Policy and Ethics Policy and approval of Resolutions certifying that the Board has reviewed the Policies and noting if there are any changes to the Policies. Counsel stated that the TCEQ Rules, as well as the Texas Water Code, require that the Board review these policies annually. He then reviewed the Investment Policy and described the listed priorities of the Policy and pointed out that the preservation of principal was the number one priority followed by diversity and liquidity, and lastly, yield. He reviewed the other features of the Investment Policy noting that the District's Investment Officer and the Banks or other Institutions that the District invests with must sign an acknowledgment that they have a copy of the District's Investment Policy.

Counsel then discussed the Ethics and Travel Policy and noted that it calls for compliance with ethics laws and places limitations on expense reimbursements, which are required to be reasonable and necessary. He stated that the Policy requires that all Director travel expenses are subject to review and approval by the Board and the expenses over \$25.00 require that a receipt must be presented for reimbursements. He noted that the Ethics Policy contains as an attachment a list of eligible and non-eligible expenses for Director travel and reminded the Board that they amended the Travel/Ethics Policy last October to limit the total daily expenditures for food and beverage to \$100.00. He noted that the policy outlines other reasonable expenses and the high

standards to which the Directors must conduct themselves and their business. Counsel then discussed the conflict of interest disclosure relating to a Director who may have an interest in a matter being considered by the Board. He stated that the law requires that Directors disclose that interest and abstain from voting on such matter(s). Following due discussion and review of the Policies, and on a motion made by Director Hill, seconded by Director Chuoke, the Board unanimously approved the Resolutions Certifying Board review of the Investment Policy and the as well as review of the Ethics/Travel Policy, stating that these Policies remain unchanged.

Next, the Board considered review of Arbitrage Compliance Specialists, Inc.'s (ACS) Annual Arbitrage Rebate and Project Yield Restriction Compliance Service Program Report as of May 15, 2018. Counsel briefly reviewed the federal arbitrage rules regarding MUDs and other governmental entities being prohibited from investing proceeds of bonds at an interest rate which is higher than the interest rates on the Bonds. He also discussed the rules related to the District spending construction bond proceeds within a three year period. He noted that the rules discuss the fact that the District is required to spend those funds down to the "minor portion" which is defined to be \$100,000 . He stated that the District has hired ACS to review all of its outstanding bonds to ensure that they are following all of the federal arbitrage regulations and are complying with the covenants contained in its Bond Orders. Counsel then noted that ACS's current report indicates that the District is in compliance with both its yield restricted funds and with respect to any excess bond proceeds, noting that the District transferred out of its construction fund all surplus remaining from the prior bond issues into its Debt Service fund for use in paying down the District's outstanding obligations. He noted that the cash defeasance, discussed earlier, is a direct result of that transfer. There being no action necessary, the Board accepted the information as presented.

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


Secretary

South Shore Harbour MUD 7 - GOF
Cash Flow Report - Checking Account
As of June 12, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 05/09/2018				\$562.03
Receipts				
	Maintenance Tax Collections		881.53	
	Interest on Checking		0.94	
	Wire Transfer		34,000.00	
Total Receipts				<u>34,882.47</u>
Disbursements				
3269	Gene Hill	Fees of Office - 6/12/2018	(138.53)	
3270	Holly Larsen	Fees of Office - 6/12/2018	(138.53)	
3271	Nghiem Doan	Fees of Office - 6/12/2018	(138.52)	
3272	Paul Hopkins, Jr.	Fees of Office - 6/12/2018	(138.52)	
3273	Robert C Chuoke III	Fees of Office - 6/12/2018	(138.52)	
3274	Dannenbaum Engineering Corporation	Engineering Fees	(1,567.31)	
3275	Storm Water Solutions, LLC	Bulkhead Repair	(24,000.00)	
3276	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,188.96)	
3277	Paul A. Philbin & Assoc., P.C.	Legal Fees	(4,962.75)	
SVC CHG	Compass Bank	Service Charge	(0.94)	
Total Disbursements				<u>(32,412.58)</u>
BALANCE AS OF 06/12/2018				<u><u>\$3,031.92</u></u>

COMPASS BANK-CHECKING - #XXXX8767

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of June 12, 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		2.05 %	277,842.89	
Checking Account(s)					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	3,031.92	Checking Account
Totals for Operating Fund:				\$520,874.81	
Fund: Debt Service					
Certificates of Deposit					
FRONTIER BANK - DEBT (XXXX1880)	07/13/2017	07/13/2018	1.00 %	245,000.00	
INDEPENDENT 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	
THIRD COAST BANK-DEBT (XXXX2696)	02/15/2018	02/15/2019	1.30 %	245,000.00	
COMPASS BANK-DEBT (XXXX6307)	02/16/2018	02/19/2019	1.30 %	245,000.00	
Money Market Funds					
COMPASS BANK-DEBT (XXXX4504)	09/01/2013		0.25 %	9,703.28	
TEXAS CLASS (XXXX0002)	04/14/2016		2.05 %	2,254,646.53	
Totals for Debt Service Fund:				\$4,709,349.81	
Grand total for South Shore Harbour Municipal Utility District No. 7:				\$5,230,224.62	