

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7  
MINUTES OF MEETING OF BOARD OF DIRECTORS  
JULY 10, 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 July 10, 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; George Young, 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 Larsen, seconded by Director Chuoke, the Board unanimously approved the June 12, 2018 Minutes as presented.

Next, Counsel recognized and welcomed Mr. George Foutz to the meeting, and asked if he had any questions for the Board. He stated that he was attending today’s meeting on behalf of his wife, and that he did not have any questions at this time.

Next, the Board considered the Engineer’s Report. Mr. Carter first reported that the detention repair work is complete and that the HOA has been billed for its share of the project. He noted that there is nothing new to report with respect to the iris planting and erosion control, which will be discussed further at next month’s meeting. Mr. Carter then provided a brief overview of the history of Tucker Lake and the District’s involvement with the Lake. He noted that the lake/pond was acquired through a prior bond issuance and that there is a Detention Pond Maintenance

Agreement between the District and the Lakes of South Shore Harbour Community Association for maintenance of four (4) detention sites, including Tucker Lake. Mr. Carter noted that issues with Tucker Lake first came to the Board's attention early in 2012, when former Director Bogus asked if the District could purchase some property that was for sale adjacent to the pond given that there were several trailers which were unsightly to the community at the time. Mr. Carter stated that in that same year, there were reports of unauthorized parking and drinking by teenagers loitering late at night around the pond area and causing a noise disturbance. He noted that as a result, the District authorized installation of no parking and no trespassing signs. The no trespassing signs included "Residents Only" and these signs seemed to alleviate the problems temporarily. He noted that problems surfaced again in 2014 and the District was approached by resident and former HOA President and Director, Mike Lee, and current HOA Board member, Eric Froeschner, about having the District install a fence around the pond as an added security measure. Mr. Carter pointed out the area on a boundary map, noting that it is heavily wooded and that there used to be large mounds of dirt on the site, and these would obscure activities of teenagers. Mr. Carter stated that the District paid for the leveling of the mounds of dirt, and noted that the Board decided not to build a fence around the pond. The Board also removed the "Residents Only" language from the No trespassing signs. Counsel suggested that the Board continue its discussion regarding Tucker Lake next month, in particular, when Ms. Foutz can be in attendance.

Counsel did note that the Board will want to consider coordinating with the HOA on the matter, and he stated that it may be safest to consider fencing the area and maintaining its use solely for drainage and detention purposes. Mr. Carter then briefly explained the pond's storm water detention facilities, including box weirs, and how the water levels in the pond are controlled. Director Doan then inquired as to why all the emphasis on safety and fencing with this pond versus the others that the District owns. Counsel noted that the Tucker lake/pond is unique, given that it is deeper than the other ponds (approximately 30 feet). He also noted that it is spring fed, making its water quality much more appealing. Counsel noted that there will be a more detailed discussion

on next month's agenda regarding Tucker Lake. Thereupon, on a motion by Director Hill, seconded by Director Doan, the Board unanimously accepted the Engineer's Report as presented and table consideration of Board action regarding Tucker Lake until the August meeting.

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 \$32,878.10, total collections of \$3,659.09 and disbursements totaling \$3,807.41, for an ending balance of \$32,729.78, as of June 30, 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 June 30, 2018, noting that 99.47% 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 (\$290.93) and payment of Delinquent Tax Attorney and TAC Quarterly fees, leaving a cash balance of \$28,019.07 as of July 10, 2018.

Ms. Yanez then presented the delinquent tax roll for review. She provided an update on the Arthur account noting that this account is all paid up at this point. She then noted that the Leslie account has paid in full the 2016 taxes that were owed. She noted that the Delinquent Tax Attorney will be issuing demand letters soon to all accounts delinquent as of July 1. Lastly, Ms. Yanez reported that the Galveston CAD is scheduled to have its certified values prepared the week of July 23<sup>rd</sup> and she stated that she will forward those values to the Financial Advisor and Bookkeeper for review. Following due discussion, and on a motion by Director Hopkins, seconded by Director Larsen, the Board unanimously accepted the Tax Collector's Report as presented, and approved checks numbered 1385, 1386 and 1387 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 \$3,031.92, interest earned, maintenance tax collections (\$463.67) and one (1) wire transfer (\$7,500) 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, including payment to the US Treasury for 2<sup>nd</sup> Quarter Payroll taxes and AWBD expense reimbursement to Director Doan for attendance at the Summer Conference. It was noted that the HOA has been billed for its share of the detention system repair, but that she has not received payment as yet.

Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$511,386.59 in total Operating Funds and \$4,712,601.30 in the Debt Service Fund. She reported a grand total balance across all District funds of \$5,223,987.89. Ms. Grimes then reviewed the Actual vs. Budget comparison for June 30, 2018 and the District's Balance Sheet as of June 30, 2018. She noted that the next debt service payment is due on September 1, 2018. Ms. Grimes presented the Quarterly Investment Report for the period ending May 31, 2018. She noted that all funds were properly secured per the District's Investment Policy.


At this point, Ms. Grimes addressed agenda item numbered 6 regarding review of the District's proposed FYE 08/31/19 Annual Operating Budget (attached hereto). She noted that the consultants have not as reviewed this proposed budget and that it shows a net surplus of \$4,300. She also noted that it is based on last year's assessed value and maintenance tax rate and that she will be receiving the 2018 certified values shortly. Ms. Grimes noted that the Board needs to adopt its 2019 budget before the end of August. Counsel recommended tabling approval of the proposed budget until the consultants have reviewed it and the 2018 certified values can be incorporated into the budget. The Board concurred. Thereupon, on a motion by Director Hopkins, seconded by Director Doan, the Board unanimously accepted the Bookkeeper's report, approved payment of all of the checks/transfers listed in the attached Bookkeeper's Report and table approval of the FYE 2019 Budget until the August Board meeting.

Next, the Board considered the status of the Instruction Letter to the Paying Agent for the Series 2008 Bonds authorizing defeasance of the 2022 Term Bond maturity and approval of the revised Incumbency Certificate. Counsel stated that the Instruction Letter and request to the Paying Agent to deliver the required Notice of Redemption to the holders of the bonds was sent to

the Bank of New York. Counsel stated that the Bank of New York made a request for minor changes to the Incumbency Certificate. He then presented for execution the revised Incumbency Certificate. He reminded the Board that the redemption date for the 2022 Term Bond (\$580,00) plus accrued interest is scheduled for September 5, 2018. He stated that the Financial Advisor will provide the final calculations prior to September 5, which will outline the amount (principal and interest owed 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 revised Incumbency Certificate for the cash defeasance/redemption.

Next, the Board considered a report from Director Doan regarding the AWBD Summer Conference. Director Doan reported the presentations at the conference were quite informative and timely. He noted that there was a seminar relating to post Hurricane Harvey matters and one regarding Texas' economic forecast, in particular, given that many residents are leaving various states to live and work in Texas. He also noted that he did get lucky and win a prize at one of the vendor booths.

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 July 10, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 06/13/2018				\$3,031.92
<b>Receipts</b>				
	Maintenance Tax Collections		463.67	
	Interest on Checking		0.58	
	Wire Transfer		7,500.00	
<b>Total Receipts</b>				<u>7,964.25</u>
<b>Disbursements</b>				
3278	Gene Hill	Fees of Office - 7/10/2018	(138.52)	
3279	Holly Larsen	Fees of Office - 7/10/2018	(138.52)	
3280	Nghiem Doan	Fees of Office - 7/10/2018	(138.53)	
3281	Paul Hopkins, Jr.	Fees of Office - 7/10/2018	(138.53)	
3282	Robert C Chuoke III	Fees of Office - 7/10/2018	(138.53)	
3283	United States Treasury	2018 2nd Qtr Payroll Taxes	(344.26)	
3284	Dannenbaum Engineering Corporation	Engineering Fees	(1,162.52)	
3285	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,729.13)	
3286	Paul A. Philbin & Assoc., P.C.	Legal Fees	(5,037.75)	
3287	Nghiem Doan	Fees of Office - 6/21-24/2018 & Conference Reim	(1,502.52)	
SVC CHG	Compass Bank	Service Charge	(0.58)	
<b>Total Disbursements</b>				<u>(10,469.39)</u>
BALANCE AS OF 07/10/2018				<u><u>\$526.78</u></u>

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of July 10, 2018

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
<b>Fund: Operating</b>					
<b>Certificates of Deposit</b>					
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	
<b>Money Market Funds</b>					
TEXAS CLASS (XXXX0001)	04/14/2016		2.15 %	270,859.81	
<b>Checking Account(s)</b>					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	526.78	Checking Account
<b>Totals for Operating Fund:</b>				<b>\$511,386.59</b>	
<b>Fund: Debt Service</b>					
<b>Certificates of Deposit</b>					
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	
BANCORPSOUTH - 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	
<b>Money Market Funds</b>					
COMPASS BANK-DEBT (XXXX4504)	09/01/2013		0.25 %	9,703.28	
TEXAS CLASS (XXXX0002)	04/14/2016		2.15 %	2,257,898.02	
<b>Totals for Debt Service Fund:</b>				<b>\$4,712,601.30</b>	
<b>Grand total for South Shore Harbour Municipal Utility District No. 7:</b>				<b>\$5,223,987.89</b>	

# SOUTH SHORE HARBOUR MUD 7

## PROPOSED 2019 BUDGET

	<u>9 Month Actual</u>	<u>12 Month Estimate</u>	<u>2018 Adopted Budget</u>	<u>Proposed 2019 Budget</u>
<b>Revenue</b>				
14350 · Maintenance Tax Collections	\$ 143,920	\$ 143,920	\$ 142,147	\$ 134,765
14370 · Interest Earned on Temp. Invest	3,843	5,124	4,500	8,450
14380 · Other Income	8	11	12	12
<b>Total Revenue</b>	<u>147,771</u>	<u>149,055</u>	<u>146,659</u>	<u>143,227</u>
<b>Expenditures</b>				
16330 · Legal Fees	35,325	47,100	52,000	52,000
16335 · Financial Advisory Fees	625	625	500	650
16340 · Auditing Fees	15,000	15,000	15,500	15,500
16350 · Engineering Fees	12,981	19,472	20,000	20,000
16370 · Election Expense	0	0	5,000	0
16430 · Bookkeeping Fees	13,038	24,000	24,000	24,000
16460 · Printing & Office Supplies	86	115	250	120
16480 - Delivery Expense	18	24	50	50
16520 - Postage	16	22	50	50
16530 · Insurance & Surety Bond	4,763	4,763	4,400	4,900
16540 · Travel Expense	216	288	325	300
16555 - Arbitrage Expense	0	0	1,350	1,350
16560 · Miscellaneous Expense	3,344	4,424	5,000	5,000
16570 · AWBD Expense	1,180	1,180	4,000	4,000
16600 · Payroll Expenses	6,459	8,612	11,000	11,000
<b>Total Expenditures</b>	<u>93,051</u>	<u>125,624</u>	<u>143,425</u>	<u>138,920</u>
<b>Excess/Expenditures Revenues</b>	<u>\$ 54,720</u>	<u>\$ 23,431</u>	<u>\$ 3,234</u>	<u>\$ 4,307</u>
<b>Other Revenues</b>				
14400 - Allocated Operating Reserves	0	0	0	0
17205 · Cap Outlay - Bulkhead Repair	12,000	12,000	0	0
<b>Net Revenue</b>	<u>\$ 42,720</u>	<u>\$ 23,431</u>	<u>\$ 3,234</u>	<u>\$ 4,307</u>