

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7  
MINUTES OF MEETING OF BOARD OF DIRECTORS  
AUGUST 14, 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 August 14, 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; Matt Dustin (RBC Capital Markets), financial advisor representative; Sherri Greenwood (BKD), auditor representative; 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. Ms. Foutz noted a name correction for her husband George on Page 1. Thereupon, on a motion by Director Chuoke, seconded by Director Hopkins, the Board unanimously approved the July 10, 2018 Minutes as corrected.

Next, Counsel recognized Ms. Foutz to the meeting, and asked if she had any questions for the Board at this time. She stated that she would address her questions under the relevant agenda items.

Next, the Board considered the District’s certified tax rolls for the 2018 tax year and the Financial Advisor’s 2018 tax rate recommendation. Mr. Dustin then distributed the 2018 Tax Rate Recommendation. He noted that the Taxable Appraised Value (\$360,818,361) used to

determine the projected collections is based on adding 90% of the uncertified value (\$6,224,324) to the certified value (\$354,594,037). He noted that this value is up approximately \$700,000.00 from the prior year. Mr. Dustin then stated that he is recommending a \$0.35 debt service rate and a \$0.04 maintenance tax rate. He then reviewed the Historical Assessed Valuations and Tax Rates section of the report, noting that the District levied this same tax rate in 2017. He noted that this tax rate will increase the average taxpayer's bill by approximately \$3.00.

Mr. Dustin then briefly reviewed the cash defeasance scheduled for September 5, 2018 which will be used to pay off the 2022 term bond maturity from the Series 2008 Bonds, in conjunction with the escrowed funds from the Series 2015 Refunding that will be used to pay off the remaining 2008 Bonds. He noted that there will be a debt service balance after these payments with sufficient coverage for future debt payments under a no growth valuation scenario. He noted that the District will likely have some more modest growth in the future, noting that there is approximately a 2 year reserve. He said that the reserve is high and would be reduced in future years, noting that the debt service obligations actually increase over the latter years of the debt payment schedule. Upon inquiry from Ms. Foutz, Mr. Dustin confirmed that the reserve in the debt service is to prevent the need to increase the tax rate in the future (i.e. major recession or significant decrease in valuation). He noted that his office is working very carefully to make sure the District meets all of its debt service requirements. He said that over the years as all the debt is paid in full, there will be a very small fund balance remaining.

At this point, Director Doan inquired as to why the 97% collection rate is assumed for the tax rate calculations, when the District has historically collected its taxes at a better than 99% collection rate. Mr. Dustin stated that they always want to err on the side of caution and use the most conservative estimates in their calculations, and have always utilized the 97% collection rate in their calculations. Following due discussion, upon a motion by Director Larsen, seconded by Director Hill, the Board accepted the financial advisor's tax rate recommendation of a \$0.35 debt service rate and a maintenance tax rate to \$0.04 maintenance tax for a total tax rate of \$0.39 for the 2018 tax

year. Counsel reminded the Board that the official adoption of the tax rate is a two step process and that step 1 is authorizing the required notice of public hearing to adopt the tax rate. That hearing will be held at next month's regular meeting, at which point the tax rate can be officially adopted.

Next, the Board considered authorizing the Tax Collector to publish the Notice of Public Hearing and proposed tax rate for the 2018 tax year. Ms. Yanez then confirmed that the District will publish the Notice in the Galveston Daily News, a newspaper of general circulation in the County. Director Hopkins inquired about publishing notice in another paper. Counsel stated that the statute requires it to be published in a paper of general circulation in the County and the Galveston Daily News qualifies and is the most cost effective option. Thereupon, on a motion by Director Hopkins, seconded by Director Chuoke, the Board unanimously authorized the Tax Collector to publish the Notice of Public Hearing and the proposed total tax rate of \$0.39 (\$0.35 debt service and \$0.04 maintenance) in the Galveston Daily News and scheduled the Public Hearing for the District's next regularly scheduled meeting on September 11, 2018.

Next, the Board considered the Engineer's Report. Mr. Carter first reported on the proposed iris planting and erosion control project, and presented a picture of the area around the lake that the irises could be planted. He noted that the District could start with smaller areas at different points around the lake, to see if the planting is a good option. At this point, Ms. Foutz indicated that the HOA has not as yet discussed this issue and that the last HOA meeting was cancelled. She stated that the upcoming meeting agenda does not list this item for discussion. Director Hopkins then asked if the District still wants to move forward with this project, given that the HOA has not followed up with the District or its residents on this matter. The Board then discussed the matter and thought it would be a good idea to have Mr. Carter obtain proposals to do the work. There was discussion of requesting a proposal from one of the League City council members, Greg Gripon, who also owns a landscaping business. Mr. Carter then asked the Board for an estimate of how much it is willing to spend for the project. He noted that there is approximately 10,000 linear feet that could be planted and that he estimates that it will cost approximately \$10.00/linear foot. Mr. Carter

recommended starting out with proposals to do 2-3 100 foot areas and then observe how those areas are doing. The Board concurred and determined that the proposals should be for no more than \$5,000.00 at this point.

Mr. Carter then addressed agenda item numbered 6 regarding the status of Tucker Lake with respect to lake maintenance, lighting in the area and related issues. He first distributed pictures of the area surrounding Tucker Lake. It was noted that there are two large street lights adjacent to the walking path and nice green belt surrounding the lake. Ms. Foutz then pointed out the area near the lake with heavy brush and vegetation. She stated that this area appears to need additional maintenance and trimming back of the bushes, and is likely where much of the illicit and troublesome behaviors have been occurring. She noted that none of the other District ponds/lakes have this problem of overgrown vegetation. The Board then asked if the HOA has been monitoring any of these issues, or if there have been residents complaining about such problems. Ms. Foutz then explained that there are still significant problems with communication between the HOA and its residents, and so it is hard to say to what extent the HOA has been monitoring the issue.

There was then a lengthy discussion about what responsibility the District has regarding maintenance of the lake area, from a drainage as well as a security standpoint. There was discussion of what benefit there would be from fencing the area, noting that it could further hide the problems experienced with teenage loitering and other unauthorized activity in the area. Director Hopkins then stated that at minimum, the District may want to consider some type of fencing or barrier between FM 1266 and the District's property, noting that many non-residents are likely to enter from 1266. The Board concurred that at this point, they should keep this matter under advisement and continue to monitor the situation. Director Hopkins suggested that Counsel's office provide the HOA with an e-mail address that concerned residents could contact in order to express their concerns regarding Tucker Lake. Ms. Walker stated that she would coordinate with Ms. Foutz and provide an e-mail address for Ms. Foutz to provide to the HOA for concerned residents to contact, if needed. Following due discussion, and on a motion by Director Hill, seconded by

Director Chuoke, the Board unanimously accepted the Engineer's report as presented, authorized Mr. Carter to obtain proposals (not to exceed \$5,000.00) for planting erosion control irises along selected areas around the lake, and tabled action regarding Tucker Lake at this time, noting that the HOA and the District's residents are welcome to express their concerns to the District through the District's office.

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 \$32,729.78, total collections of \$6,629.72 and disbursements totaling \$4,710.71, for an ending balance of \$34,648.79, as of July 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 July 31, 2018, noting that 99.58 % of the 2017 taxes have been collected to this point. She then presented four (4) checks for the Board's approval. The checks for payment included a transfer to the Operating Fund (\$246.10) and payment of Delinquent Tax Attorney, CAD Quarterly fees and escheated funds to be transferred to the state (\$283.97), leaving a cash balance of \$30,903.19 as of August 14, 2018.

Ms. Yanez then presented the delinquent tax roll for review. Counsel reported that his office did issue demand letters to all tax accounts delinquent as of July 1, 2018. 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 1388, 1389, 1390 and 1391 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 \$526.78, interest earned, maintenance tax collections (\$290.93) and one (1) wire transfer (\$8,500) 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.

Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$503,565.68 in total Operating Funds and \$4,725,399.37 in the Debt Service Fund. She reported a grand total balance across all District funds of \$5,228,965.02. Ms. Grimes then reviewed the Actual vs. Budget comparison for July 31, 2018 and the District's Balance Sheet as of July 30, 2018. She noted that the next debt service payment is due on September 1, 2018. She noted that there will be an updated debt service schedule following the cash defeasance next month.

At this point, Ms. Grimes addressed agenda item numbered 9 regarding approval of the District's proposed FYE 08/31/19 Annual Operating Budget. She noted that the proposed budget has been reviewed by the consultants and that the increase in taxable value will result in the net revenues being revised upward to \$9,539. 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 proposed FYE 2019 Budget as amended to reflect the increase in proposed net revenues. Ms. Grimes noted that she would bring the corrected budget to next month's meeting.

Next, the Board considered the status of the cash defeasance for the 2022 Term Bond (Series 2008 Bonds) and the Financial Advisor's closing calculations. Counsel stated that the cash defeasance is all set to close on September 5, 2018, noting that the Bank of New York has issued proper notice to the bondholders per the 2008 Bond Order and that Mr. Dustin has provided the calculation (principal and accrued interest) for the total amount due (\$596,168.49). He noted that Ms. Grimes will wire the total amount due to the Paying Agent (Bank of New York) on or before September 5<sup>th</sup>. Mr. Dustin noted that the District will be defeasing Bonds that were sold at a 5.5% interest rate. There being no action needed, the Board accepted the information as presented.

Next, the Board considered the engagement of BKD to prepare the District's Annual Audit for the fiscal year-ending August 31, 2018. Ms. Greenwood then reviewed the engagement letter outlining the terms and conditions for the audit preparation, noting a cost of \$14,600 plus administrative expenses (reproduction/delivery/binding) of approximately \$700.00 to prepare the

2017 annual audit. She noted that any new bond sale during the fiscal year would add an additional cost of approximately \$1,000 - \$1,500 in conjunction with reviewing of the POS/OS, and preparation of schedules related to the issuance of bonds. Ms. Greenwood noted that this a minor increase (\$300.00) in the base rate from the prior year. The Board discussed the proposed costs for the annual audit and noted that minor increase seemed reasonable. Following due discussion, and on a motion by Director Hopkins, seconded by Director Chuoke, the Board unanimously approved the engagement of BKD to prepare the District's Annual Audit for the fiscal year-ending August 31, 2018. The President then duly executed the letter of engagement from BKD.

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 August 14, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 07/11/2018				\$526.78
<b>Receipts</b>				
	Maintenance Tax Collections		290.93	
	Interest on Checking		0.90	
	Interest on Spirit of Texas CD #XXXX4813		1,298.02	
	Wire Transfer		<u>8,500.00</u>	
<b>Total Receipts</b>				10,089.85
<b>Disbursements</b>				
3288	Gene Hill	Fees of office - 8/14/2018	(138.53)	
3289	Holly Larsen	Fees of office - 8/14/2018	(138.53)	
3290	Nghiem Doan	Fees of office - 8/14/2018	(138.52)	
3291	Paul Hopkins, Jr.	Fees of office - 8/14/2018	(138.52)	
3292	Robert C Chuoke III	Fees of office - 8/14/2018	(138.52)	
3293	Dannenbaum Engineering Corporation	Engineering Fees	(3,405.68)	
3294	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,147.34)	
3295	Paul A. Philbin & Assoc., P.C.	Legal Fees	(4,681.75)	
SVC CHG	Compass Bank	Service Charge	<u>(0.90)</u>	
<b>Total Disbursements</b>				<u>(9,928.29)</u>
BALANCE AS OF 08/14/2018				<u><u>\$688.34</u></u>

COMPASS BANK-CHECKING - #XXXX8767



South Shore Harbour Municipal Utility District No. 7

Account Balances

As of August 14, 2018

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
<b>Fund: Operating</b>					
<b>Certificates of Deposit</b>					
THIRD COAST BANK, SSB (XXXX9253)	02/02/2018	10/30/2018	1.20 %	120,000.00	
CADENCE BANK (XXXX1612)	07/24/2018	07/27/2019	2.40 %	120,000.00	
<b>Money Market Funds</b>					
TEXAS CLASS (XXXX0001)	04/14/2016		2.22 %	262,877.34	
<b>Checking Account(s)</b>					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	688.34	Checking Account
<b>Totals for Operating Fund:</b>				<b>\$503,565.68</b>	
<b>Fund: Debt Service</b>					
<b>Certificates of Deposit</b>					
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		2.22 %	3,005,696.06	
<b>Totals for Debt Service Fund:</b>				<b>\$4,725,399.34</b>	
<b>Grand total for South Shore Harbour Municipal Utility District No. 7:</b>				<b>\$5,228,965.02</b>	

# SOUTH SHORE HARBOUR MUD 7

## PROPOSED 2019 BUDGET

	9 Month Actual	12 Month Estimate	2018 Adopted Budget	Proposed 2019 Budget
<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>
				+ 5,232
				<u>9,539</u>