

**SOUTH SHORE HARBOUR MUNICIPAL UTILITY DISTRICT NO. 7
MINUTES OF MEETING OF BOARD OF DIRECTORS
SEPTEMBER 11, 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 September 11, 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 - Absent
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; and Alexis Walker and Paul Philbin, Counsel, of Paul A. Philbin & Assoc., P.C.

First, the President called to order the Public Hearing on adopting the District’s 2018 tax rate. At this point, Counsel stated that the Notice of Public Hearing containing the proposed tax rate was duly published in the Galveston County Daily News on August 20, 2018. Ms. Yanez then provided the Publisher’s Affidavit of the publication for the District’s records. Counsel stated that at its last meeting, the Board of Directors authorized publication of the proposed total tax rate of \$0.39, which included \$0.35 for the debt service tax rate and \$0.04 for the maintenance tax rate. Counsel pointed out that this is the same tax rate as was levied for the 2017 tax year. The Hearing was closed.

Counsel then stated that the Board could now adopt the proposed tax rate and he presented the Order Establishing the District’s Tax Rate. Thereupon, on a motion by Director Hopkins, seconded by Director Chuoke, the Board unanimously approved the Order Establishing the Tax Rate For Taxable Property Within the District for the 2018 tax year. The Order specified a tax rate of \$0.35 for debt service and a tax rate of \$0.04 for maintenance and operations, for a total tax rate of \$0.39. The Order was then duly executed by the Board’s President and Secretary.

Next, 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 Chuoke, seconded by Director Larsen, the Board unanimously approved the August 14, 2018 Minutes as presented.

Next, Counsel recognized Ms. Foutz to the meeting, and asked if she had any questions and/or comments for the Board at this time. Ms. Foutz reported that the HOA is scheduled to hold its annual meeting on October 23rd and she stated that it would be nice if a MUD representative could attend that meeting. She noted it would be helpful to have the MUD representative make some statement as to what the MUD is and what it does. At this point, Director Doan asked that Ms. Foutz get in touch with him to confirm the HOA's next annual meeting date/time, as he would be interested in attending. Ms. Foutz stated that she would and then noted that she is working to help residents better understand the MUD's role in her monthly HOA newsletter article, as there seems to be a lot of confusion around the MUD's duties/role in the community. She also noted that it has been difficult to determine the HOA's meeting schedule and that she has called for copies of the HOA's upcoming meeting agenda. She also noted that there is supposed to be an HOA meeting tomorrow, however, they have no office at this point and it appears that they will be using space at the local HEB for their meeting. She expressed concern about the current state of the HOA, in particular, that there are no audits of their financial statements. She noted that a bookkeeper and auditor were hired to perform an audit and that she has been inquiring about dates that the residents can expect the audit to be completed. The Board then thanked Ms. Foutz for this information.

Next, the Board considered the Engineer's Report. Mr. Carter first reported that he had received a proposal from Lynn's Landscaping (attached hereto) for the proposed iris planting and erosion control project. He reported that the proposal includes 125 (3 gallon) Irises that will be planted approximately 4 feet apart over approximately 500 linear feet. He noted that the total will

be \$5,126.16 and that they require a 20% down payment to start the project. Ms. Foutz stated that Lynn's is a good nursery. There were then questions regarding which areas would be planted and how long the District will wait to see if the planting is working. Mr. Carter then pointed out two main areas around the corner of the pond. He noted that it may take up to a year to determine the effectiveness of the planting, and if the irises are growing properly. There were questions regarding the growth of the irises. Mr. Carter replied that they prefer a linear growth pattern and Director Hopkins iterated that in general, they do fairly well with low maintenance and leaving them alone. Director Hopkins then noted that the proposal price is competitive based on the comparisons he has observed at various nurseries. The Board concurred. At this point, Ms. Foutz noted that there has not been any item related to this erosion control project on the HOA's agenda, and that there was a fairly contentious discussion on the matter. She stated that the HOA expressed that they were not interested in participating in this project. Counsel then stated that the Board did not expect the HOA to participate since the Board considered this an erosion control project designed to preserve the capacity of the system. The Board did not ask the HOA to participate in the project and the Board believed that the HOA had no objection to the MUD proceeding with the project. Following due discussion and on a motion by Director Larsen, seconded by Director Doan, the Board unanimously approved the proposal by Lynn's Landscaping (\$5,126.16) and authorized the issuance of the 20% down payment to begin the iris planting project.

Next, the Board considered agenda item numbered 7 regarding the status of Tucker Lake, lake maintenance, and related issues. Counsel reported that an e-mail was received at the District's office by a Ms. Carrie Rawls regarding concerns about Tucker Lake. Ms. Rawls indicated that there are concerns about teenagers hanging around the area. She expressed that she believed that the community could use the MUD's assistance in cleaning up the area (overgrowth of trees and shrubs, etc.) along the easement that runs behind the fence to the lake from South Shore Blvd. She indicated that it is overgrown with poison ivy and weeds among other things. She also noted that this overgrowth may also be creating hiding spaces for the teenagers. There were questions regarding

the owner of the property and upon inquiry Mr. Carter stated that he believed that the MUD does not own the property or have an easement on the property that runs along the fence. Counsel noted that there has been a history of complaints about Tucker Lake in the past, but none recently. Counsel said that the property in question and in need of mowing was probably owned by Mr. Tucker. There were several questions raised as to what the MUD could do regarding concerns about this section of property. Counsel suggested a title search and letter to the owner of the property regarding the nuisance condition of the property. The Board discussed the matter and suggested that the Tax Collector see what the CAD rolls showed. The Board also said that the overall condition of Tucker Lake was good and that they should table the matter for the time being. No action was taken and the Board tabled the matter.

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 \$34,648.79, total collections of \$1,571.07 and disbursements totaling \$4,407.15, for an ending balance of \$31,812.71, as of August 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 August 31, 2018, noting that 99.85 % of the 2017 taxes have been collected to this point. She then presented five (5) checks for the Board's approval. The checks for payment included a transfer to the Operating Fund (\$405.15) and overpayment refund, payment of Delinquent Tax Attorney fees, the Insurance Bond Premium and the Truth in Taxation Publication, leaving a cash balance of \$30,230.47 as of September 11, 2018. Ms. Yanez then presented the delinquent tax roll 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 1392, 1393, 1394, 1395 and 1396 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 \$688.34,

interest earned, maintenance tax collections (\$246.10) and one (1) wire transfer (\$6,000) 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. Ms. Grimes stated that she is still awaiting payment from the HOA for its share of the detention repair (\$12,000). She stated that she has contacted the HOA manager, Ms. Hooker, who indicated that the check was mailed on August 8, and that she will stop payment and reissue the check. Ms. Grimes then noted that check numbered 3303 was just added to Lynn's Landscaping for the 20% down payment for erosion control/iris planting project. She noted that she will make a wire transfer to cover that cost and that this information will be reported on next month's report.

Next, Ms. Grimes reviewed the District's Account Balances for all funds, noting \$497,596.50 in total Operating Funds and \$3,054,740.87 in the Debt Service Fund. She reported a grand total balance across all District funds of \$3,552,337.37. Ms. Grimes then reviewed the Actual vs. Budget comparison for August 31, 2018 and the District's Balance Sheet as of August 31, 2018. She noted that September starts a new fiscal year for the District. She then reviewed the Debt Service Schedule and reported that the September 1, 2018 debt service payment was made on August 31, 2018 and that this schedule will be updated soon. She noted that all of the 2008 bonds have been paid off at this point.

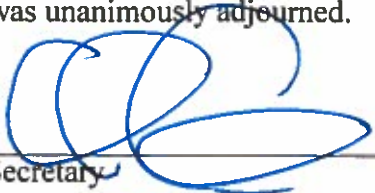
Next, she reviewed the AWBD Mid Winter Conference Schedule (January 25-26) in Austin, noting that registration is currently open. She then noted that there are no Directors planning to attend the winter conference. Ms. Grimes then presented the adopted budget for the 2019 fiscal year(attached hereto), which was approved at last month's meeting and includes the corrected projected total net revenue amount. Lastly, Ms. Grimes reviewed a list of various banks' CD interest rates for both 12 and 18 month CDs. Director Hopkins then mentioned to the Board that he had met with a Vice President who works for Federated, which manages various TexPool accounts across the nation, including TexPool Premium and was impressed with the work he is doing. The Board then discussed that the rate differences between the 12 and 18 month CDs were not significant

enough to warrant moving investments into an 18 month CD at this point. Ms. Grimes stated that she would continue renewing mature CDs for 12 months.

Counsel then addressed agenda item numbered 10 regarding the status of the closing of the cash defeasance for the 2022 Term Bond (Series 2008 Bonds). Counsel stated that the cash defeasance successfully closed on September 5, 2018 for a total amount of \$596,168.49. He stated that the Financial Advisor will in turn be revising the District's debt schedule to reflect this defeasance. There being no action necessary, the Board accepted the information as presented.

Next, under pending business, the Board discussed issues with the posting of its Notices of Meetings at the designated bulletin board in the District. Counsel noted that his office received word from Mr. Eric Billups (ANICO), who has been posting the notices for the past several years, that he will be unable to post notices for the District in the future given conflicts with his work schedule. Counsel stated that his office contacted Ms. Foutz to assist with the posting and that she was able to post the Notice of Meeting outside of the bulletin board given that there was no bulletin board key available. Counsel recommended that the Board consider having Ms. Foutz continue to post the Notices of Meeting in the future and to look into securing a second key for the bulletin board. The Board concurred and upon a motion by Director Larsen, seconded by Director Chuoke, the Board unanimously authorized Ms. Foutz to post the District's Notice of Meetings at the designated bulletin board near the pool area.

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 September 11, 2018

Num	Name	Memo	Amount	Balance
BALANCE AS OF 08/15/2018				\$688.34
Receipts				
	Maintenance Tax Collections		246.10	
	Interest on Checking		0.63	
	Wire Transfer		6,000.00	
Total Receipts				<u>6,246.73</u>
Disbursements				
3296	Gene Hill	Fees of Office - 9/11/2018	(138.52)	
3297	Holly Larsen	Fees of Office - 9/11/2018	(138.52)	
3298	Nghiem Doan	Fees of Office - 9/11/2018	(138.53)	
3299	Paul Hopkins, Jr.	Fees of Office - 9/11/2018	(138.53)	
3300	Robert C Chuoke III	Fees of Office - 9/11/2018	(138.53)	
3301	Municipal Accounts & Consulting, LP	Bookkeeping Fees	(1,108.70)	
3302	Paul A. Philbin & Assoc, P.C.	Legal Fees	(4,921.50)	
SVC CHG	Compass Bank	Service Charge	(0.63)	
Total Disbursements				<u>(6,723.46)</u>
BALANCE AS OF 09/11/2018				<u><u>\$211.61</u></u>

COMPASS BANK-CHECKING - #XXXX8767

South Shore Harbour Municipal Utility District No. 7

Account Balances

As of September 11, 2018

Financial Institution (Acct Number)	Issue Date	Maturity Date	Interest Rate	Account Balance	Notes
Fund: Operating					
Certificates of Deposit					
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	
Money Market Funds					
TEXAS CLASS (XXXX0001)	04/14/2016		2.23 %	257,384.89	
Checking Account(s)					
COMPASS BANK-CHECKING (XXXX8767)			0.15 %	211.61	Checking Account
Totals for Operating Fund:				\$497,596.50	
Fund: Debt Service					
Certificates of Deposit					
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 %	9,703.84	
TEXAS CLASS (XXXX0002)	04/14/2016		2.23 %	2,070,037.03	
Totals for Debt Service Fund:				\$3,054,740.87	
Grand total for South Shore Harbour Municipal Utility District No. 7:				\$3,552,337.37	

SOUTH SHORE HARBOUR MUD 7

ADOPTED 2019 BUDGET

	<u>9 Month Actual</u>	<u>12 Month Estimate</u>	<u>2018 Adopted Budget</u>	<u>Adopted 2019 Budget</u>
Revenue				
14350 · Maintenance Tax Collections	\$ 143,920	\$ 143,920	\$ 142,147	\$ 139,998
14370 · Interest Earned on Temp. Invest	3,843	5,124	4,500	8,450
14380 · Other Income	8	11	12	12
Total Revenue	<u>147,771</u>	<u>149,055</u>	<u>146,659</u>	<u>148,460</u>
Expenditures				
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
Total Expenditures	<u>93,051</u>	<u>125,624</u>	<u>145,425</u>	<u>138,920</u>
Excess/Expenditures Revenues	<u>\$ 54,720</u>	<u>\$ 23,431</u>	<u>\$ 3,234</u>	<u>\$ 9,540</u>
Other Revenues				
14400 - Allocated Operating Reserves	0	0	0	0
17205 · Cap Outlay - Bulkhead Repair	12,000	12,000	0	0
Net Revenue	<u>\$ 42,720</u>	<u>\$ 23,431</u>	<u>\$ 3,234</u>	<u>\$ 9,540</u>