

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

February 9, 2011

The Board of Directors (the "Board") of Brazoria County Municipal Utility District No. 26 (the "District") met in regular session, open to the public, on the 9th day of February, 2011, at the Hilton Garden Inn, 12101 Shadow Creek Parkway, Pearland, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Michael Parks	President
Chris Jones	Vice President
Melissa Slade	Secretary
Caralynn Prade	Assistant Vice President
Herbert Fain	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Officers D. R. Pratt, Adam Carroll, Andre Tran, Natisha Lucas, Andre Tran, and Wesley Boyer of the City of Pearland (the "City") Police Department; James Ross of LJA Engineering & Surveying, Inc.; Craig Rathmann of Rathmann & Associates, L.P.; Erin Garcia of Myrtle Cruz, Inc.; David Patterson of Assessments of the Southwest, Inc.; Mark McGrath of McGrath & Co., PLLC; Lynne B. Humphries, Angie Lutz, and Kristen Hogan of Allen Boone Humphries Robinson LLP; and those persons listed on the attached attendance sheets.

POWERPOINT PRESENTATION TO EXPLAIN THE POWERS AND FUNCTIONS OF THE DISTRICT

Director Parks opened the meeting and welcomed the members of the public in attendance. He introduced the District's Directors and consultants and recognized the City Police Officers in attendance. Director Parks explained that the Board prepared a presentation regarding the background of municipal utility districts and the background, purpose and function, facilities, and finances of the District, which will be given by him and various District consultants. He said the Board then will conduct a brief District business meeting followed by a "Questions and Answers" session providing attendees the opportunity to ask any questions they may have about the District. Director Parks noted the Sign-in sheet and name tags at the back of the room along with copies of today's meeting agenda and the District's Information Kit for any interested attendees.

Director Parks presented the PowerPoint presentation, with Ms. Humphries discussing legal matters related to the District, Mr. Ross discussing engineering matters

related to the District facilities, Officer Carroll discussing supplemental security services in the District, and Mr. Rathmann discussing District financial matters. A copy of the PowerPoint presentation is attached. During Officer Carroll's discussions on supplemental security services paid for by the District, he introduced Officer Pratt who manages the supplemental security services provided to the District. Officer Carroll noted that the Officers who participate in the supplemental security services provided by the District must have their own police cars, which require a minimum of 4-5 years of experience. Officer Pratt distributed and reviewed statistics on calls received for service during the previous 13 months, a copy of which is attached. During Mr. Rathmann's discussion of District financial matters, he noted an error on page 25 of the PowerPoint presentation which incorrectly states that the District has issued \$69,550,000 in bonds to date instead of the actual amount of \$60,955,000. Mr. Wu interrupted the presentation and requested that the Board accelerate the presentation to the "Questions and Answers" session. Director Parks responded that the presentation and District business meeting will be expedited as much as possible, but that the Board wants to provide as much information as possible about the District. After conclusion of the presentation, Director Parks stated that the Board would proceed to conduct a brief District business meeting.

REGULAR DISTRICT MEETING ITEMS

Director Parks reviewed the items that the Board would consider during its abbreviated District business meeting.

Ms. Garcia reviewed a list of the District's bills for payment, a copy of which was displayed as a slide in the PowerPoint presentation and distributed to the Board and members of the public in attendance. In response to a question from the Board, Ms. Garcia stated that check no. 2487 represents final payment to the District's prior bookkeeper. Ms. Garcia stated since she only began service for the District on Monday, that she only had the list of checks submitted for approval and would have the full bookkeeper's report at the next meeting. After review and discussion, Director Jones moved to approve payment of the District's bills shown on the list presented by Ms. Garcia, a copy of which is attached. Director Slade seconded the motion, which passed unanimously.

Mr. McGrath provided background information about his company. He reviewed slides contained in the PowerPoint presentation regarding the auditing process and the accounting rules that the District must follow and he discussed the different accounts and revenue sources that are audited on an annual basis. Mr. McGrath reviewed the District's draft audit for the fiscal year ended September 30, 2010, with the Board, noting the District complied with all legal and contractual requirements and operated within its operating budget for the 2010 fiscal year. In response to a question from Director Jones, Mr. McGrath confirmed that no changes

have been made since the draft audit was sent to the Directors for review in advance of today's meeting. After review and discussion, Director Jones moved to approve the District's audit for the fiscal year ended September 30, 2010, and direct that the audit be filed appropriately and retained in the District's official records. Director Prade seconded the motion, which passed unanimously.

Director Parks interrupted the District business meeting and noted to the members of the public in attendance that the Board receives consultant reports for review in advance of its monthly meetings in order to address any questions they may have prior to the meeting, which reduces meeting time and costs, and allows for a more thorough review.

Mr. Patterson reviewed the tax assessor/collector's report with the Board, a copy of which was distributed to the Board and members of the public in attendance. He reviewed the list of checks for payment from the tax account, a copy of which was displayed as a slide in the PowerPoint presentation. In response to a question from Director Slade regarding the status of SCR C24 Investment LP, Mr. Patterson said such development entity remains in bankruptcy and the District has filed a proof of claim with the court. Mr. Patterson reviewed a Certificate of Estimated Value from the Brazoria County Appraisal District reflecting an estimated District taxable value of \$788,429,280 as of January 1, 2011. After review and discussion, Director Prade moved to approve the tax assessor/collector's report, including payment of the listed bills from the tax account. Director Slade seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Area Community Newsletter and the homeowners' association newsletter, *The Current*. After discussion, the Board directed ABHR to submit the standard notice regarding District meetings, including a note directing any persons wishing to attend a District meeting to contact ABHR to verify the date, time, and location of the meeting.

Mr. Ross reviewed the engineer's report, a copy of which was displayed as a slide in the PowerPoint presentation and distributed to the Board and members of the public in attendance. He stated that the District's bond application no. 6 was approved by the Texas Commission on Environmental Quality and pre-purchase inspection approval has been received. Mr. Ross said no action was necessary on the engineer's report. He then discussed development in Shadow Creek Ranch, noting that the owner of the property at the northwest corner of Broadway and Kirby is working with their bank and other developers to proceed with additional commercial development for the tract. In response to a question from a member of the public, Mr. Ross said he does not know whether there are any deed restrictions for the property. A copy of the engineer's report is attached.

The Board then discussed the possibility of establishing a District website in response to requests from District residents. The Board considered the three proposals for creation and maintenance of a website that were provided to the Directors for review in advance of today's meeting. Director Parks noted a chart comparing the proposals that was displayed as a slide in the PowerPoint presentation. After review and discussion, the Board concurred to table consideration of the website proposals until next month's meeting to consider any feedback from the public during the "Questions and Answers" session or prior to next month's meeting.

COMMENTS AND QUESTIONS FROM THE PUBLIC

Director Parks opened the "Questions and Answers" session, encouraging any attendees who wish to speak to approach the microphone provided for questions.

Members of the audience asked questions regarding the recent failed park bond election held by the District, the next steps planned by the District, and the process for preventing future park bond propositions. Director Parks said the Board has no plans to further pursue the park improvements since District voters voted against the proposition. Director Jones discussed resident complaints that the Board received regarding the lack of parks and recreational facilities near Shadow Creek Ranch and the City's continual postponement of construction of its proposed park in Shadow Creek Ranch, which led to the decisions to develop a park plan and call a bond election. He said the Board agreed that the best way to handle the matter was to place the proposition on the ballot and allow District voters to decide. Director Jones said the District does not intend to reconsider the matter and that any residents in favor of the park plans should urge the City to expedite the timeline for construction.

Members of the audience then asked questions about the interest rates on District bonds, authorized uses of District funds and responsibility for investments, remaining development to be financed, current and historical tax collections and delinquent tax collections, suggestions for identifying a field for a new youth football team, specific crime incidents in Shadow Creek Ranch, and information on upcoming development plans. All of the questions were answered by the Board and/or the District's consultants at the request of the Board, with Officer Carroll indicating that he could not discuss the particular crime incidents since the investigations are ongoing.

Members of the audience then thanked the Board for the information provided and for the efforts of the District Directors. Director Parks encouraged the attendees to submit suggestions regarding a possible District website and any other information they want to receive about the District. In response from a member of the audience regarding the time and location of future District meetings, Director Parks said the Board is planning to hold meetings at least quarterly in the District. The Board and members of the audience thanked the City Police Officers for their work in the

community and most of those in attendance expressed their support for the District providing the extra security. Director Fain noted that at the time the decision was made by the Board to provide additional security, there were a number of District residents who were opposed, but the Board thought it was the right decision for the District. Director Parks then introduced City Councilmember Scott Sherman to the audience, noting Councilmember Sherman's history as a previous District Board member.

Director Parks thanked the members of the public for attending the District's meeting and indicated that copies of the PowerPoint presentation were available near the exit door.

There being no further business to come before the Board, Director Jones moved to adjourn the meeting. Director Fain seconded the motion, which passed by unanimous vote.



Albert Fain
Ass't Secretary, Board of Directors

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