

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

May 3, 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 3rd day of May, 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
Vacant	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 Holly Blesener, Mark Simien, and Maria Shaw of Association Management, Inc. ("AMI"), representing the Shadow Creek Ranch Maintenance Association; Fred Weary, Tommy and Beth Morgan, Santana Gonzalez, and Dave Beach, residents of the District; James Ross of LJA Engineering & Surveying, Inc.; Erin Garcia of Myrtle Cruz, Inc.; Thomas W. Lee of Assessments of the Southwest, Inc.; and Lynne B. Humphries and Kristen Hogan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the April 5, 2011, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Prade moved to approve the minutes as submitted. Director Slade seconded the motion, which passed unanimously.

SUPPLEMENTAL SECURITY SERVICES

There was no discussion on this agenda item.

DEVELOPMENT IN THE DISTRICT, APPROVAL OF ANY DEVELOPER REIMBURSEMENT REPORTS, AND DISBURSEMENT OF FUNDS

Ms. Humphries presented a reimbursement report prepared by the District's auditor which reflects reimbursement owed to Meritage Homes in the amount of \$4,768 from Series 2011 bond proceeds for water and wastewater impact fees paid to the City

of Pearland (the "City"). A copy of the builder impact fee reimbursement report is attached.

Ms. Humphries next presented an Agreement for Financing of Facilities between the District and Kingsley Partners, L.P. for public water line facilities required by the City in connection with the development of tract MF-2. She then presented a Waiver of Special Appraisal for the tract to be executed by the landowner and any lienholders.

After review and discussion, Director Slade moved to (1) approve the builder impact fee reimbursement report and authorize disbursement of \$4,768 to Meritage Homes and (2) approve the Agreement for Financing of Facilities and authorize execution of the Waiver of Special Appraisal for tract MF-2. Director Prade seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS AND AMENDED BUDGET

Ms. Garcia distributed and reviewed the bookkeeper's report, including the investment report and list of checks presented for approval, a copy of which is attached. She next reviewed a proposed amended budget for the fiscal year ending September 30, 2011, reflecting changes in projected expenses and revenues. Director Fain suggested that the Board consider using surplus operating or construction funds in lieu of issuing bonds to fund the MF-2 project discussed earlier in today's meeting, if available. The Board reviewed the District's fund balances and noted plans to defease additional bonds in 2012. After discussion, the Board concurred to consider the appropriate funding source for the MF-2 project once the project is complete. Ms. Humphries asked Mr. Ross to prepare an estimate of the outstanding impact fees to be funded by the District and to determine the construction schedule for the MF-2 project. After review and discussion, Director Slade moved to approve the bookkeeper's report and payment of the bills and adopt the amended budget for the fiscal year ending September 30, 2011. Director Prade seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Lee distributed and reviewed the tax assessor/collector's report, including the delinquent tax roll, a copy of which is attached. He noted that the 2010 taxes were 97.63% collected as of April 30, 2011. Mr. Lee presented a delinquent tax report from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is included in the tax assessor/collector's report. He then reviewed a breakdown of the District's 2011 preliminary value of \$764,027,452 from the Brazoria County Appraisal District, a copy of which is attached to the tax assessor/collector's report. After review and discussion, Director Prade moved to approve the tax assessor/collector's report and the delinquent tax report. Director Slade seconded the motion, which passed unanimously.

ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board discussed the new joint website and Ms. Humphries confirmed that the site is live. The Board discussed the information on the website and directed ABHR to post the District Information Kit on the site.

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 prepare a notice directing residents to the new website for information about District meetings.

ENGINEERING MATTERS

Mr. Ross distributed and reviewed the engineering report, a copy of which is attached. He noted there were no action items for the Board's consideration.

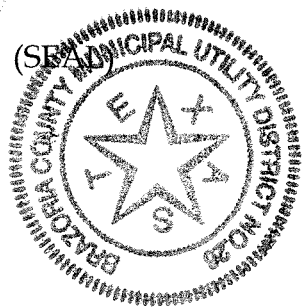
COMMENTS FROM DIRECTORS AND THE PUBLIC

The Board heard comments from District residents regarding the District's meeting time and location and requests for District meetings to be held in the evenings within the District. In response to questions, Ms. Shaw said the District could meet at AMI's offices located at the Village of Emerald Bay Clubhouse, 11814 N. Clear Lake Loop, within the boundaries of the District. The Board discussed the importance of District consultants attending District meetings, prior meetings held within the District with no residents in attendance, and other efforts such as the website to provide information about the District and encourage resident attendance and participation in District meetings. The Board considered scheduling next month's meeting for June 7, 2011, at 7:00 p.m., at the offices of AMI. Director Parks said he will ask a City police officer to attend District meetings held in the evenings within the District.

PROCEDURES FOR APPOINTING REPLACEMENT DIRECTOR FOR TERM ENDING MAY 2012 AND ARTICLES FOR NEWSLETTERS AND WEBSITE, continued

The Board discussed the process for appointing a new director to fill the vacant position on the Board. The Board considered soliciting resumes from interested qualified residents. After discussion, the Board directed ABHR include notice in the newsletter articles and on the website regarding the vacancy on the Board and the opportunity for interested residents to submit resumes prior to June 1, 2011. The Board concurred to review resumes at the June regular meeting and to schedule a special meeting to interview candidates in executive session.

There being no further business to come before the Board, Director Prade moved to adjourn the meeting. Director Slade seconded the motion, which passed unanimously.



Melissa Slade

Secretary, Board of Directors

ACTION LIST

1. The engineer will prepare an estimate of the outstanding impact fees and will determine the construction schedule for the MF-2 project.
2. The attorney will post the District Information Kit on the website.
3. The attorney will prepare a notice for the newsletters and website regarding the Board vacancy.

LIST OF ATTACHMENTS TO MINUTES

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