

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

September 4, 2012

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 4th day of September, 2012, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Michael Parks	President
Herbert Fain	Vice President
Melissa Slade	Secretary
Caralynn Prade	Assistant Vice President
Fred E. Weary, Jr.	Assistant Secretary

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

There were no other resident members of the public present. The following District consultants were also present: Officer Natisha Lucas of the City of Pearland (the "City") Police Department; Mark McGrath of McGrath & Co., PLLC ("McGrath"); Erin Garcia of Myrtle Cruz, Inc.; David Patterson of Assessments of the Southwest, Inc.; Julie Williams of Rathmann & Associates, L.P.; James Ross of LJA Engineering & Surveying, Inc.; and Lynne B. Humphries and Michelle Bryan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the July 25, 2012, special meeting and the minutes of the August 7, 2012, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Prade moved to approve the minutes of the July 25 and August 7, 2012, meetings, as submitted. Director Fain seconded the motion, which passed unanimously.

AUTHORIZE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR END
SEPTEMBER 30, 2012

Ms. Humphries noted that the District has an evergreen engagement with McGrath for preparation of annual audits and developer reimbursement reports. Mr. McGrath estimated a cost of \$10,400 for preparation of the District's audit for fiscal year end September 30, 2012. After discussion, Director Fain made a motion to authorize McGrath to proceed with preparation of the audit for fiscal year end September 30,



2012, pursuant to the District's engagement letter. Director Weary seconded the motion, which passed unanimously.

DEVELOPMENT IN THE DISTRICT

Mr. McGrath presented and reviewed a Developer Reimbursement Report prepared by McGrath for the purpose of verifying the amount to be reimbursed to Westin Homes and Properties, L.P. for water and wastewater impact fees paid to the City. He stated the reimbursement is being paid from proceeds of the Series 2011 Bonds. After review and discussion, Director Fain moved to (1) approve the Developer Reimbursement Report; (2) authorize disbursement of funds to reimburse Westin Homes and Properties, L.P. in the amount of \$20,754, pursuant to the Developer Reimbursement Report; and (3) direct that the Developer Reimbursement Report be filed appropriately and retained in the District's official records. Director Weary seconded the motion, which was approved by unanimous vote.

Ms. Humphries stated that an Agreement for Financing of Facilities relating to the development of a multifamily site in the District will be presented for the Board's consideration at the next meeting.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Garcia distributed and reviewed the bookkeeper's report, including the investment report, budget comparison, debt service payment schedule, and list of checks presented for approval, a copy of which is attached. After review and discussion, Director Fain moved to approve the bookkeeper's report and payment of the bills. Director Weary seconded the motion, which passed unanimously.

SECURITY SERVICES REPORT, VIDEO AND SECURITY SERVICE SURVEILLANCE, AND INSTALLATION OF CAMERAS AND SECURITY SYSTEM

Officer Lucas requested that the Board consider over-time pay to officers patrolling the District and Brazoria-Fort Bend County Municipal Utility District No. 1 ("MUD 1") on holidays. Discussion ensued regarding days of the year that constitute holidays. Following discussion, the Board concurred to offer overtime pay for the same holidays that the City recognizes.

Officer Lucas reported on security in the District and discussed crime trends and preventative security measures for residents.

The Board reviewed a proposal from VR Election Services to conduct a survey of Shadow Creek Ranch residents to obtain residents' opinions on the installation of video



surveillance equipment in the Shadow Creek Ranch area. Following review and discussion, the Board concurred to defer this item until the next meeting.

Director Weary discussed the Shadow Creek Ranch Maintenance Association ("SCRMA/HOA") meeting attended by him, Director Parks, Officer Pratt, and Officer Boyer on August 28, 2012. He stated that he and Director Parks informed SCRMA/HOA that, if permitted by the Texas Commission on Environmental Quality ("TCEQ"), the District and Mud 1 are interested in funding the necessary erosion repairs of the detention ponds if SCRMA/HOA will fund the installation of video surveillance equipment in the Shadow Creek Ranch area. Director Parks stated that SCRMA/HOA obtained a proposal for the installation of video surveillance equipment and that SCRMA/HOA will forward the proposal to Director Parks for review. Following discussion, the Board concurred to defer action until it is determined that the TCEQ will permit the District and MUD 1 to fund the necessary erosion repairs of the detention ponds in order to restore the side slopes to their original state and reduce erosion in the future.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Patterson reviewed the tax assessor/collector's report, including the delinquent tax roll, a copy of which is attached. He noted that the 2011 taxes were 99.53% collected as of August 31, 2012.

Mr. Patterson presented and reviewed 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.

After review and discussion, Director Weary moved to approve the tax assessor/collector's report and the delinquent tax report. Director Fain seconded the motion, which passed unanimously.

REVIEW, REVISE, AND ADOPT RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Humphries presented a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions to update the list of qualified banks with which the District may invest funds. She noted that the District's bookkeeper provided the updated list of banks, which is attached as an exhibit to the Resolution. After review and discussion, Director Slade moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and direct that the



Resolution be filed appropriately and retained in the District's official records. Director Prade seconded the motion, which passed unanimously.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board conducted an annual review of the District's Investment Policy. Ms. Humphries stated that no changes are recommended. Following review and discussion, Director Fain moved to adopt a Resolution Regarding Annual Review of Investment Policy and direct that the Resolution be filed appropriately and retained in the District's official records. Director Weary seconded the motion, which passed by unanimous vote.

DISCUSS 2012 TAX RATE, SET PUBLIC HEARING DATE, AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE, AND ADOPT BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2013

Ms. Williams distributed and reviewed a tax rate analysis recommending that the District levy a 2012 tax rate of \$0.69 per \$100 of assessed valuation, with \$0.66 allocated to debt service and \$0.03 allocated to maintenance and operations. A copy of the tax rate analysis is attached.

Ms. Garcia presented the proposed budget for fiscal year end September 30, 2013, a copy of which is attached to the bookkeeper's report. The Board reviewed the proposed budget, based on a maintenance tax rate of \$0.03 per \$100 assessed valuation, and discussed revisions to the budget, including the removal of election and park design expenses and funds for the District's capital reserve line item. Following review and discussion, Director Slade moved to adopt the budget for fiscal year end September 30, 2013, as revised. Director Prade seconded the motion, which carried unanimously.

Following review and discussion, Director Slade moved to authorize the tax assessor/collector to publish notice of the District's public hearing on October 2, 2012, to set the proposed 2012 tax rate of \$0.69 per \$100 of assessed valuation, with \$0.66 allocated to debt service and \$0.03 allocated to maintenance and operations. Director Prade seconded the motion, which carried unanimously.

ENGINEERING MATTERS

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

Mr. Ross updated the Board on the construction of the public water line to serve MF-2.



ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Area Community Newsletter; the SCRMA/HOA newsletter, *The Connection*; and the District's website. After discussion, the Board concurred to direct ABHR to prepare a notice with the standard monthly message directing residents to the website for information about District meetings and safety tips reminding residents (1) to install alarm systems in homes and display the alarm company's sign in the front yard; (2) to not store valuables inside vehicles; and (3) that all solicitors must be licensed by the City.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

The Board discussed the possibility of requesting that the City designate a temporary parking area and ball fields on the undeveloped regional park land in Shadow Creek Ranch until the City is ready to develop the regional park. At the request of Director Weary, Ms. Humphries stated she will inquire how the Chester L. Davis Sportsplex in League City was funded and will report back to the Board at the next meeting.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

DATE, TIME, AND LOCATION FOR NEXT MEETING

The Board concurred next month's regular meeting will be October 2, 2012, at 11:00 a.m. at ABHR.

There being no further business to come before the Board, the meeting adjourned.

(SEAL)




Assistant Secretary, Board of Directors



ACTION LIST

1. The attorney will prepare the requested notice for the newsletters and website.
2. The attorney will inquire how the Chester L. Davis Sportsplex was funded in League City and will report back to the Board at the next meeting.

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