

MINUTES  
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

September 3, 2013

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 September, 2013, 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 except Director Parks, thus constituting a quorum.

Also present at the meeting were Brenda Beltran of the Shadow Creek Ranch Maintenance Association ("SCRMA"); Officer Natisha Lucas of the City of Pearland (the "City") Police Department; Mark McGrath of McGrath & Co., PLLC; Erin Garcia of Myrtle Cruz, Inc.; David Patterson of Assessments of the Southwest, Inc. ("ASW"); James Ross of LJA Engineering, Inc.; and Hannah Brook and Kristen Hogan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the August 6, 2013, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Slade moved to approve the minutes of the August 6, 2013, meeting, as presented. Director Prade seconded the motion, which passed unanimously.

ENGINEERING MATTERS

Mr. Ross distributed and reviewed the engineer's report, a copy of which is attached. He updated the Board on the construction of the public water line to serve MF-4 in Shadow Creek Ranch and reviewed and recommended approval of the following: (1) Change Order No. 3 in the amount of \$38,839.80 for quantity adjustments; and (2) Change Order No. 4 in the amount of \$26,553.95 for additional private facilities. Mr. Ross noted this is a public/private project and stated that \$2,499.10 of Change Order No. 3 is related to public facilities.

Mr. Ross next updated the Board on preparation of bond application no. 7, which will include the public water line to serve MF-4 and the detention pond erosion protection improvements. He said bond application no. 7 should be submitted to the Texas Commission on Environmental Quality ("TCEQ") prior to next month's meeting.

After review and discussion, Director Prade moved to approve the engineer's report and, based on the engineer's recommendation, to approve Change Orders Nos. 3 and 4 in the amounts of \$38,839.80 and \$26,553.95, respectively, for construction of the public water line to serve MF-4. Director Slade seconded the motion, which passed unanimously.

#### SECURITY SERVICES REPORT, INCLUDING REPORT FROM SCRMA ON INSTALLATION OF CAMERAS

Officer Lucas reported on security in Shadow Creek Ranch and reviewed the written security report submitted by Officer Pratt in advance of today's meeting. A copy of the August security report is attached. Officer Lucas then responded to questions from the Board regarding crime trends. Discussion ensued regarding the possibility of the District funding additional security services during nighttime hours. After discussion, the Board concurred for Director Slade to meet with Maria Shaw of SCRMA to discuss the matter, and then to coordinate with ABHR regarding any recommended amendments to the District's security contracts with the officers.

There was no update on the installation of cameras in the Shadow Creek Ranch area.

#### DEVELOPMENT IN THE DISTRICT

The Board did not receive a report on development in the District.

#### CONDUCT OF AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2013

Mr. McGrath that the District has an evergreen engagement with McGrath & Co., PLLC for preparation of annual audits and developer reimbursement reports. He estimated a cost of \$10,400 for preparation of the District's audit for fiscal year end September 30, 2013. After discussion, Director Prade made a motion to authorize McGrath & Co., PLLC to proceed with preparation of the audit for fiscal year end September 30, 2013, pursuant to the District's engagement letter. Director Slade seconded the motion, which passed unanimously.

#### 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. She noted the three

expiring certificates of deposit will not be renewed pursuant to prior discussions regarding use of surplus funds.

Ms. Garcia reviewed the District's proposed budget for fiscal year end September 30, 2014. She noted there is no amount budgeted for park design expenses at this time, but the budget may be amended at the appropriate time to budget funds for this purpose.

The Board conducted an annual review of the District's Investment Policy and determined no changes are recommended.

Ms. Brook 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 Prade moved to take the following actions: (1) approve the bookkeeper's report and payment of the bills; (2) adopt the budget for fiscal year end September 30, 2014, as presented; (3) adopt a Resolution Regarding Annual Review of Investment Policy reflecting no changes to the District's current Investment Policy dated September 6, 2011, and direct that the Resolution be filed appropriately and retained in the District's official records; and (4) 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 Slade seconded the motion, which passed unanimously.

#### 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 the 2012 taxes were 99.46% collected as of the end of the previous month. Mr. Patterson next 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 Prade moved to approve the tax assessor/collector's report, the delinquent tax report, and payment of the tax bills. Director Slade seconded the motion, which passed unanimously.

#### 2013 TAX RATE

Mr. Patterson stated that ASW published notice of the public hearing to be held at today's meeting regarding adoption of the District's 2013 tax rate. Director Fain then opened the public hearing. No members of the public came forward to make comments. Director Fain closed the public hearing. Ms. Brook presented an Order

Levying Taxes reflecting a total 2013 tax rate of \$0.69 per \$100 assessed valuation, with \$0.66 allocated for debt service and \$0.03 allocated for operations and maintenance. She then presented an Amendment to Information Form reflecting the newly adopted tax rate. Ms. Brook stated that the Amendment will be filed with Brazoria County and the TCEQ. After review and discussion, Director Prade moved to adopt the Order Levying Taxes, authorize execution of the Amendment to Information Form, and direct that the Order and Amendment be filed appropriately and retained in the District's official records. Director Slade seconded the motion, which passed unanimously. The Board confirmed its intention that the 2013 tax levy include a debt service component for the calendar year ending December 31, 2014, and a maintenance tax component for the fiscal year ending September 30, 2014.

#### RECREATIONAL FACILITIES IN AND NEAR THE DISTRICT

Director Weary reported on a recent meeting he attended with representatives from the City and ABHR to discuss the District's options to promote additional parks in and near the District. Ms. Brook presented a draft interlocal agreement between the City and the District and said the draft agreement was forwarded to Director Weary and the City for review. After discussion, the Board directed ABHR to send the draft agreement to the full Board for review. The Board concurred to table consideration of the agreement, pending review by the Board and the City.

#### ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board reviewed a website statistics report for August, a copy of which is attached.

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Area Community Newsletter, *The Connection* newsletter, and on the District's page of the website. Discussion ensued regarding Officer Lucas' report of a resident call regarding a contractor who abandoned work that had been paid for by the resident. After discussion, the Board directed ABHR to draft a notice for the newsletters and the District's website containing the same messages as last month and an additional message encouraging residents to be careful when hiring contractors for work within the District at residences and to check the credentials of contractors they hire to ensure they are properly licensed and insured as applicable.

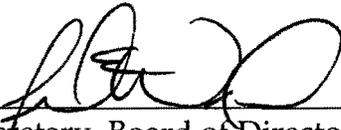
#### REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

There were no additional reports.

#### COMMENTS FROM THE PUBLIC

There were no members of the public who wished to address the Board.

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.



Asst. Secretary, Board of Directors

(SEAL)



ACTION LIST

1. Director Slade will meet with Ms. Shaw of SCRMA regarding security services, and then will coordinate with ABHR regarding any recommended amendments to the District's security contract with the City.
2. ABHR will send the draft interlocal agreement regarding development of recreational facilities to the Board for review.
3. ABHR will prepare the requested notice for the newsletters and website.

LIST OF ATTACHMENTS TO MINUTES

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