

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

September 2, 2014

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 2nd day of September, 2014, 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 Weary, thus constituting a quorum.

Also present at the meeting were Charlie Norton of Shadow Creek Ranch Maintenance Association ("SCRMA"); Colette Garcia and Tayo Ilori of McGrath & Co., PLLC ("McGrath"); Bob DeForest of KGA/DeForest Design L.L.C.; Christina Garcia of Myrtle Cruz, Inc. ("MCI"); David Patterson of Assessments of the Southwest, Inc. ("ASW"); James Ross of LJA Engineering, Inc. ("LJA"); and Lynne Humphries, Hannah Brook, and Tracie Brownlee of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the July 11, 2014, special meeting and the August 5, 2014, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Prade moved to approve the minutes of the July 11, 2014, special meeting and the August 5, 2014, regular meeting as presented. Director Fain seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Christina 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 check no. 3452 in the amount of \$1,500 to pay the rental fee of the Reflection Bay Event Center and said she would hold the check until the District's community informational meeting scheduled for September 17, 2014, based upon the Board's request. She noted check no. 3465 in the amount of \$18,135.00 for clearing and grubbing of the of the 4-acre tract for installation of temporary ball fields and said \$9,67.50 is due back from

Brazoria-Fort Bend County Municipal Utility District No. 1 ("BFB1") in accordance with the cost-sharing arrangement.

Ms. Christina Garcia reviewed the District's proposed budget for fiscal year ending September 30, 2015 and stated she would reduce the line item for capital reserve to balance the budget.

Ms. Colette Garcia stated the District has an evergreen engagement with McGrath for preparation of annual audits and developer reimbursement reports. She estimated a cost of \$10,900 for preparation of the District's audit for fiscal year ending September 30, 2014, which includes an increase of \$500 due to the Series 2014 bond issue and the activity in the capital projects account.

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 the District's bookkeeper is obtaining an updated list of banks, which will be attached as an exhibit to the Resolution.

The Board considered approving a Letters of Credit Agreement ("LOCA") with BBVA Compass Bank authorizing an amount for the Maximum Face Amount of Federal Home Loan Bank Letters of Credit ("Maximum Face Amount").

After review and discussion, Director Fain moved to take the following action: (1) approve the bookkeeper's report and payment of the bills; (2) authorize McGrath to proceed with preparation of the audit for fiscal year ending September 30, 2014, for an estimated cost of \$10,900 and pursuant to the District's engagement letter; (3) adopt the budget for fiscal year ending September 30, 2015, with noted adjustment; (4) adopt the 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; (5) adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions, subject to obtaining an updated list of banks, and direct that the Resolution be filed appropriately and retained in the District's official records; and (6) approve the LOCA with BBVA Compass Bank with an unlimited Maximum Face Amount. Director Parks seconded the motion, which passed unanimously.

ENGINEERING MATTERS

Director Slade entered the meeting.

Mr. Ross distributed and reviewed the engineer's report, a copy of which is attached.

Mr. Ross reported on bids received for the construction of the public water line to serve Broadstone Shadow Creek. He recommended award of the contract to the low bidder, R Construction Company ("R Construction"), with a total bid amount of \$410,788.05, subject to approval of construction bonds and insurance. Mr. Ross then reported on bids received for the construction of the public water line, sanitary sewer, and storm sewer to serve Shadow Creek Ranch V. He recommended award of the contract to the low bidder, R Construction, for a total bid amount of \$1,341,378.60. The Board determined that, in its judgment, R Construction is a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the projects. Ms. Brook requested the Board approve letter financing agreements with CRP/AR Shadow Creek Owner, L.P. and DD SCR V, L.L.C. related to financing of the projects.

Following review and discussion, Director Prade moved to approve the engineer's report and, based upon the engineer's recommendation, take the following action: (1) award the contract for the construction of the public water line to serve Broadstone Shadow Creek to R Construction with a total bid amount of \$410,788.05, subject to approval of construction bonds and insurance and approve a related letter financing agreement with CRP/AR Shadow Creek Owner, L.P.; and (2) award the contract for the construction of the public water line, sanitary sewer, and storm sewer to serve Shadow Creek Ranch V to R Construction with a total bid amount of \$1,341,378.60 and approve a related letter financing agreement with DD SCR V, L.L.C. Director Fain seconded the motion, which passed unanimously.

ARBITRAGE MATTERS

Ms. Brook stated the District received a proposal from OmniCap Group, LLP ("OmniCap") to conduct the final arbitrage rebate calculation for the \$8,830,000 Unlimited Tax Bonds, Series 2004 for no additional charge since the District received a report on said Series in March and paid the fee at that time. After review and discussion, Director Prade moved to approve and authorize execution of the proposal from OmniCap and direct that the proposal be filed appropriately and retained in the District's official records. Director Fain seconded the motion, which carried by unanimous vote.

Ms. Brook presented and reviewed the arbitrage rebate report regarding the District's Series 2009 bonds prepared by OmniCap. Ms. Brook stated the report indicates that no arbitrage rebate payment is required by the District.

Ms. Christina Garcia left the meeting.

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 99.59% of the 2013 taxes had been collected as of August 31, 2014. Mr. Patterson next reviewed a delinquent tax report from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached.

Mr. Patterson stated ASW published notice of the public hearing to be held at today's meeting regarding adoption of the District's 2014 tax rate. Director Parks then opened the public hearing. No members of the public came forward to make comments. Director Parks closed the public hearing. Ms. Brook presented an Order Levying Taxes reflecting a total 2014 tax rate of \$0.69 per \$100 assessed valuation, with \$0.66 allocated for debt service and \$0.03 allocated for operations and maintenance. The Board confirmed its intention that the 2014 tax levy include a debt service component for the calendar year ending December 31, 2015, and a maintenance tax component for the fiscal year ending September 30, 2015. Ms. Brook then presented an Amendment to Information Form reflecting the newly adopted tax rate. Ms. Brook stated the Amendment will be filed with Brazoria County and the TCEQ.

After review and discussion, Director Prade made the following motions: (1) approve the tax assessor/collector's report, the delinquent tax report, and payment of the tax bills; and (2) 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 Fain seconded the motion, which passed unanimously.

STORM WATER PERMIT TXRQ40000

Ms. Brook reviewed an email from Storm Water Solutions, L.P. updating the status of the District's application for storm water permit TXRQ40000, a copy of which is attached.

RECREATIONAL FACILITIES IN AND NEAR THE DISTRICT

The Board discussed topics of discussion at the community informational meeting scheduled for September 17, 2014, including whether the District should fund the public water, sewer, and drainage facilities to serve the Shadow Creek Ranch Sports

Park, Phase 1 (the "Sports Park"), the impact of including the funding in the next bond issue, including an estimate of cost per household, the impact on repaying debt early, benefits of the Sports Park to the community, and amenities for the Sports Park that will be added if the District and Brazoria-Fort Bend County Municipal Utility District No. 1 ("BFB 1") fund the public water, sewer, and drainage facilities to serve the Sports Park.

Ms. Humphries reported on negotiations with the City to extend the lease of the 4-acre tract to be developed into temporary ball fields (the "ball fields"). She stated the District wants the lease for the 4-acre tract extended for an additional 4 years, until December 31, 2018, in order to irrigate the fields.

Mr. DeForest reported additional fill may be needed for proper drainage of the ball fields for an estimated additional cost of \$50,000.

The Board reviewed options to cost-share funding of the public water, sewer, and drainage facilities to serve the Sports Park and the ball fields with BFB 1 and determined it is comfortable with a 50-50 split.

DEVELOPMENT IN THE DISTRICT

No reports were presented.

ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Community Newsletter, *The Connection*, and on the District's page of the website. Ms. Brook said a notice of the community informational meeting on September 17, 2014, was added to the District's website. After discussion, the Board concurred for ABHR to submit the District's standard notice, including a notice that rehabilitation of the detention pond side slopes has begun. The Board then reviewed an analytics report on activity on the website for the prior month, a copy of which is attached.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

The Board considered sending a letter requesting a waiver of the rental fee for Reflection Bay Event Center where the September 17, 2014 meeting will be held since the meeting is being held for the community at large. Based on an inquiry from the Board, Mr. Norton said he would provide the next meeting date for SCRMA and follow up on the District's request to have SCRMA provide mowing of the ball fields. Based on a request from the Board, Mr. DeForest said he would submit the redesign of the ball fields with irrigation to the City.

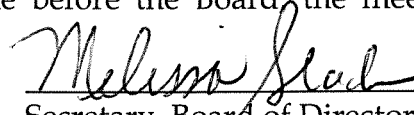
SECURITY SERVICES REPORT, INCLUDING REPORT FROM SHADOW CREEK RANCH MAINTENANCE ASSOCIATION ("SCRMA") ON INSTALLATION OF CAMERAS

The Board reviewed a written security report submitted in advance of today's meeting. A copy of the security report is attached.

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, the meeting was adjourned.


Secretary, Board of Directors

(SEAL)



ACTION LIST

1. ABHR will submit the standard notice for the newsletters and website, including a notice regarding the rehabilitation of the detention pond side slopes.
2. Mr. Norton will provide the next meeting date for SCRMA and report on whether SCRMA will provide mowing for the ball fields.
3. Mr. DeForest will submit the redesign of the ball fields to include irrigation to the City.
4. Ms. Williams will calculate the estimated cost per household of funding the public water, sewer, and drainage facilities to serve the Sports Park in the District's next bond issue.

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