

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

November 4, 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 4th day of November, 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 Maria Shaw and Charlie Norton of Shadow Creek Ranch Maintenance Association ("SCRMA"); Chalmette Ray, resident and Director of the Board of Village of Biscayne Bay Homeowners Association ("Biscayne Bay HOA"); Goray Mookerjee resident and Director of the Board of Emerald Bay Homeowners Association ("Emerald Bay HOA"); Bob DeForest of KGA/DeForest Design, L.L.C.; Officer Gabe Cortez of City of Pearland (the "City") Police Department; Craig Rathmann and Julie Williams of Rathmann & Associates, L.P.; Tracey Scott of Myrtle Cruz, Inc. ("MCI"); David Patterson of Assessments of the Southwest, Inc. ("ASW"); James Ross of LJA Engineering, Inc. ("LJA"); Hannah Brook and Tracie Brownlee of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the October 7, 2014, regular meeting, which were provided in advance. Ms. Brook requested the Board approve a revision due to a typographical error in the September 2, 2014 regular meeting minutes to reflect the contract for the construction of the public water lines to serve Shadow Creek Ranch MF-5 was awarded to Total Site, Inc. After review and discussion, Director Prade moved to approve the minutes of the October 7, 2014, regular meeting as presented and to revise the minutes of the September 2, 2014, regular meeting as noted. Director Slade seconded the motion, which passed unanimously.

DEVELOPMENT IN THE DISTRICT

No reports were presented.

ENGAGE COMPANY TO CONDUCT ARBITRAGE REBATE STUDY FOR SERIES 2004A BONDS

Ms. Brook stated the District has received a proposal from OmniCap Group, LLP ("OmniCap") to conduct an arbitrage rebate study for the \$16,000,000 Unlimited Tax Bonds, Series 2004A. 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 Slade seconded the motion, which carried by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Scott 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 Prade moved to approve the bookkeeper's report and payment of the bills. Director Slade seconded the motion, which passed unanimously.

The Board did not consider amending the budget for fiscal year ending September 30, 2015.

Director Parks and Officer Cortez entered the meeting.

SECURITY SERVICES REPORT

Officer Cortez reviewed a written security report submitted in advance of today's meeting. A copy of the security report is attached. Officer Cortez then answered questions from the Board regarding crime trends.

The Board considered adding another security patrol shift for the next three months due to increased holiday activity for an additional monthly cost not to exceed \$1,500. The District's cost would not exceed \$750, which is the District's share of 50% of a cost-sharing agreement with Brazoria-Fort Bend County Municipal Utility District No. 1 ("BFB1") for security patrol services. Ms. Brook reviewed an Amended and Restated Security Patrol Services Agreement (the "Patrol Agreement") between the District, BFB1, and the qualified licensed peace officer(s) who will be assigned the extra patrol shift by the coordinating peace officer, David Pratt. Ms. Brook noted each additional officer will need to be added to the current bond rider provided by the District's insurance at a cost of \$50 per officer. Following review and discussion, Director Fain moved to (1) approve the Patrol Agreement for the addition of one or two qualified licensed peace officers, subject to assignment by Officer Pratt and for the next three

months only, at an additional monthly cost not to exceed \$750; and (2) authorize the addition of said officer(s) to the District's insurance bond rider at a total additional cost of \$50 for one officer and \$100 for two officers. The motion was seconded by Director Prade and passed unanimously.

Ms. Shaw introduced Ms. Ray and Mr. Mookerjee and discussed efforts by Biscayne Bay HOA and Emerald Bay HOA to deter crime in Shadow Creek Ranch. Discussion ensued regarding possible expansion of the local neighborhood watch group. Ms. Shaw said she would send information regarding membership, recruitment, and training for neighborhood watch to Ms. Ray and Mr. Mookerjee.

In response to a question by Mr. Mookerjee, the Board stated the Districts' employment of peace officers for security patrol at this time is subject to agreements and purchase of insurance coverage entered into with the Pearland Police Department.

Mr. Norton updated the Board on the installation of the security cameras. He reported the equipment has been installed and the cameras are being programmed, which can take up to 14 days. Mr. Norton noted signs notifying people they are under surveillance will be posted once the cameras are fully operational. Mr. Norton said he expects the signs to be posted by Thanksgiving. Directed Fain noted his gratitude for SCRMA's support of the installation of the security cameras.

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 4.25% of the 2014 taxes had been collected as of October 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. 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 Fain seconded the motion, which passed unanimously.

Mr. Rathmann entered the meeting.

RECREATIONAL FACILITIES IN AND NEAR THE DISTRICT

Ms. Brook reminded the Board that Ms. Brownlee sent an email summarizing the outcome of the Park Committee meeting with City representatives on October 27, 2014. A copy of the summary is attached. Ms. Brook reviewed an Interlocal Agreement Between Brazoria County Municipal Utility District No. 26, Brazoria-Fort Bend County Municipal Utility District No. 1, and the City of Pearland Related to Construction of Public Water, Sewer and Drainage Facilities (the "Interlocal Agreement") which outlines the terms for the Districts' funding of the public water, sewer, and drainage facilities to serve the sports complex at the Shadow Creek Ranch Park (the "Sports Park"). Ms. Brook stated the City has placed consideration of the Interlocal Agreement

on the agenda for the November 10, 2014 meeting of City Council. Director Parks reported Director Weary has confirmed he will attend the meeting and present the Interlocal Agreement. Director Slade said she will attend for Director Weary in the event he is absent.

Ms. Brook reviewed a second Interlocal Agreement Between Brazoria County Municipal Utility District No. 26, Brazoria-Fort Bend County Municipal Utility District No. 1, and the City of Pearland Related to Construction of Additional Public Park Improvements (the "Park Improvements Agreement"), which outlines the Districts' priorities for the additional improvements that will be available as a result of the Districts' funding of the public water, sewer, and drainage facilities to serve the Sports Park and communicated to the Districts by the residents of Shadow Creek Ranch. Ms. Brook noted the City's attorney has stated the City will add consideration of the Park Improvements Agreement to the agenda for the December 8, 2014 meeting or the December 15, 2014 meeting of City Council.

Discussion ensued regarding maintenance of the 4-acre tract (the "tract") to be developed into temporary ball fields. Ms. Brook reported that City representatives noted the tract is almost as overgrown as it was before the tract was cleared and grubbed. Based on a question from the Board, Ms. Shaw said she will inquire about adding the tract to SCRMA's current mowing schedule. Mr. Deforest noted his proposal for development of the tract includes irrigation, fencing, and dirt work to establish a grade for proper drainage. After discussion, the Board concurred to continue development of the tract as planned. Mr. Deforest stated he submitted schematic plans for the development of the tract to the City Parks Director Michelle Graham approximately six weeks ago and will submit final construction documents for the same by tomorrow. Mr. Deforest requested the Board authorize his advertisement for public bids for the construction of the temporary ball fields at the tract once the plans are approved by the City.

Following review and discussion, Director Prade moved to (1) approve the Interlocal Agreement, subject to final review by ABHR; (2) approve the Park Improvements Agreement, subject to final review by ABHR; and (3) authorize Mr. DeForest to advertise for public bids for the construction of the temporary ball fields at the tract, subject to City approval of plans and specifications. The motion was seconded by Director Fain and passed unanimously.

ENGINEERING MATTERS

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

Mr. Ross reviewed three pay estimates as detailed in the engineer's report.

Mr. Ross updated the Board on bond application no. 8. Ms. Brook reviewed a proposal from Jones-Heroy & Associates, Inc. ("Jones-Heroy") for the preparation of bond application no. 8 for a lump sum fee of \$38,000 plus administrative expenses. Ms. Brook reviewed a proposal from LJA to assist in preparation of bond application no. 8 for a lump sum fee of \$27,000 plus administrative expenses.

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) approve Pay Estimate No. 4 and Final in the amount of \$30,249.02 to Allgood Construction Company, Inc. for the water, sewer, and drainage to serve Shadow Creek Ranch SF-64; (2) approve Pay Estimate No. 1 in the amount of \$445,901.40 to Fort Bend Excavation, Inc. for the rehabilitation of the detention pond side slopes; (3) approve Pay Estimate No. 1 in the amount of \$255,392.96 to Total Site, Inc. for the construction of the public water line, sanitary sewer, and storm sewer to serve Shadow Creek Ranch MF-5; (4) approve the proposal from Jones-Heroy for the preparation of bond application no. 8 for a lump sum fee of \$38,000 plus administrative expenses; and (5) approve the proposal from LJA to assist in preparation of bond application no. 8 for a lump sum fee of \$27,000 plus administrative expenses. Director Fain seconded the motion, which passed unanimously.

STORM WATER PERMIT TXRQ40000

There were no updates to report for this item.

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 revisions to the District's website. The Board discussed strategies to deter crime in Shadow Creek Ranch. After discussion, the Board concurred for ABHR to submit the District's standard notice and to add the name and title of Nicole Kenjura, President of Shadow Creek Ranch Neighborhood Watch, to the District's website. 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

No further reports were given.

COMMENTS FROM THE PUBLIC

Mr. Mookerjee re-introduced himself and discussed his professional experience.

DISCUSS MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE

Ms. Brook distributed and reviewed with the Board a memorandum prepared by ABHR concerning the Securities and Exchange Commission Enforcement Division's Municipalities Continuing Disclosure Cooperation Initiative, a copy of which is attached. Ms. Brook also reviewed the District's annual continuing disclosure process with the Board, and noted that ABHR has overseen that process pursuant to its engagement with the District. After review and discussion, the Board concurred that no action was necessary. Upon a motion by Director Prade and a second by Director Fain, the Board voted unanimously to accept the report contained in the memorandum.

SEPARATION AGREEMENT BETWEEN R. CRAIG RATHMANN AND RBC CAPITAL MARKETS, LLC (AS SUCCESSOR TO RBC DAIN RAUSCHER INC.), AND TEXAS ATTORNEY GENERAL SETTLEMENT RELATED THERETO

Ms. Brook distributed and reviewed with the Board: (1) a Texas Attorney General ("A.G.") press release regarding a Settlement Agreement between the A.G., Craig Rathmann and Rathmann & Associates, L.P., (the "Rathmann Settlement Agreement"); (2) the Rathmann Settlement Agreement; (3) an October 13, 2014, letter from Rathmann & Associates; and (4) an October 7, 2014, letter from RBC Capital Markets, LLC. Items (1) through (4) are attached hereto. Mr. Rathmann also discussed items (1) through (4). Discussion ensued.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY AND RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

The Board did not convene in executive session.

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

(SEAL)



Assistant

Secretary, Board of Directors

ACTION LIST

1. ABHR will submit the standard notice for the newsletter and submit the name and title of the President of the Shadow Creek Ranch Neighborhood Watch to the District's website.
2. Director Weary will attend the November 10, 2014, City Council meeting to represent the District and BFB1 in City Council's consideration of the Public Water Agreement and the Improvements Agreement.
3. Director Slade attend the November 10, 2014, City Council meeting in the event Director Weary is unable to attend.
4. Ms. Shaw will inquire with SCRMA's mowing contractor to see if the mowing of the tract can be added to the current maintenance schedule.
5. Ms. Shaw will send information about the Shadow Creek Ranch Neighborhood Watch to Ms. Ray and Mr. Mookerjee.

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