

MINUTES
BRAZORIA-FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

September 5, 2014

The Board of Directors (the "Board") of Brazoria-Fort Bend County Municipal Utility District No. 1 (the "District") met in regular session, open to the public, on the 5th day of September, 2014, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Michael D. Rozell	President
Geoffrey Pope	Vice President
Terry Ruiz	Secretary
Karri Axtell	Assistant Vice President
Jalene Palmer	Assistant Secretary

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

Also present at the meeting were Michael Parks, director of Brazoria County Municipal Utility District No. 26 ("BC 26"); Bob DeForest of KGA/DeForest Design, L.L.C.; Julie Williams of Rathmann & Associates, L.P.; Colette Garcia of McGrath & Co., P.L.L.C. ("McGrath"); Charlie Norton of Shadow Creek Ranch Maintenance Association ("SCRMA"); Taylor Gunn of Perry Homes, LLC; David Patterson of Assessments of the Southwest, Inc.; Christina Garcia of Myrtle Cruz, Inc.; 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 August 1, 2014, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Rozell moved to approve the minutes as presented. Director Palmer seconded the motion, which passed unanimously.

SECURITY SERVICES REPORT

The Board reviewed the written security report for Shadow Creek Ranch submitted by Officer Wes Boyer in advance of today's meeting. A copy of the security report is attached.

REPORT ON DEVELOPMENT, DEVELOPER REIMBURSEMENT REPORT, AND DISBURSEMENT OF FUNDS

Mr. Gunn reported on homebuilding, including sales, in the Perry Homes sections of the District.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Patterson distributed and reviewed the tax assessor/collector's report, including the delinquent tax roll, a copy of which is attached. He stated 99.60% of the District's 2013 taxes had been collected as of August 31, 2014.

Ms. Williams distributed and reviewed a tax rate analysis recommending the District levy a 2014 tax rate of \$0.85 per \$100 of assessed valuation, with \$0.80 allocated to debt service and \$0.05 allocated to maintenance and operations. A copy of the tax rate analysis is attached. Ms. Williams noted the analysis includes the 2015 debt service requirements associated with the District's next bond issue. Following review and discussion, Director Palmer made the following motions: (1) approve the tax assessor/collector's report and payment of the tax bills; (2) authorize the tax assessor/collector to publish notice of the District's public hearing on October 3, 2014, to set the proposed 2014 tax rate of \$0.85 per \$100 of assessed valuation, with \$0.80 allocated to debt service and \$0.05 allocated to maintenance and operations. Director Axtell seconded the motion, which carried unanimously.

ENGINEERING MATTERS

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

Mr. Ross reviewed and recommended approval of pay estimates as detailed in the engineer's report.

Mr. Ross stated the District will need to accept deeds for Lakes 3, 4, and 5 to serve Southlake, the detention/amenity lakes to serve Shadow Oaks Phase 1, and the detention pond to serve Shadow Ridge Section 1 to include in bond application no. 7.

Ms. Brook reviewed an email from Storm Water Solutions, LP ("SWS") detailing the process whereby the District's application for General Permit Number TXR040000 is being evaluated by Texas Commission on Environmental Quality. A copy of the email from SWS is attached.

Following review and discussion, Director Axtell moved to approve the engineer's report and take the following action, based upon the engineer's recommendation: (1) approve Pay Estimate No. 5 and Final for the construction of the detention/amenity lakes to serve Shadow Oaks Phase 1 in the amount of \$61,527.90,

payable to Sonora SWQM CO dba Sonora Construction and final acceptance of the facilities; (2) approve Pay Estimate Nos. 1 and 2 for the clearing and grubbing to serve Shadow Grove Phase 2 in the respective amounts of \$50,850 and \$97,200, payable to T.F.R. Enterprises, Inc.; and (3) approve Pay Estimate No. 4 for the construction of the water, sewer, and drainage facilities to serve Shadow Ridge Section 1 in the amount of \$91,215, payable to R Construction Company. Director Palmer seconded the motion, which carried unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Christina Garcia distributed and reviewed the bookkeeper's report, including the investment report, budget comparison, and list of checks presented for approval, a copy of which is attached. She stated BBVA Compass Bank has instituted a new few structure whereby the District's account will collect interest without deductions but will be charged a monthly fee of \$18.

Ms. Christina Garcia reviewed the proposed budget for fiscal year ending September 30, 2015, a copy of which is attached to the bookkeeper's report. She stated she will update the maintenance tax revenue to reflect the District's 2014 taxable value.

Ms. Colette Garcia stated the District has an evergreen engagement with McGrath for conducting the District's annual audit. She said the estimated fee for the audit for fiscal year ending September 30, 2014 will be \$12,000, which is the same as last year. Following review and discussion, Director Pope moved to authorize McGrath to conduct the District's audit for fiscal year ending September 30, 2014, pursuant to the evergreen engagement letter. The motion was seconded by Director Axtell and passed unanimously.

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

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. A copy of the updated list will be attached as an exhibit to the Resolution.

Mr. Gunn left the meeting.

Ms. Brook stated Compass Bank has requested the District approve a Letters of Credit Agreement ("LOCA") authorizing an amount for the Maximum Face Amount of Federal Home Loan Bank Letters of Credit ("Maximum Face Amount").

After review and discussion, Director Pope made the following motions: (1) approve the bookkeeper's report and payment of the bills; (2) adopt the budget for fiscal year ending September 30, 2015 with noted revision; (3) adopt the Resolution Regarding Annual Review of Investment Policy and direct that the Resolution be filed appropriately and retained in the District's official records; (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, subject to obtaining the updated list of banks from the District's bookkeeper, and direct that the Resolution be filed appropriately and retained in the District's official records; and (5) approve a LOCA with Compass Bank and authorize an unlimited Maximum Face Amount. Director Palmer seconded the motion, which passed unanimously.

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. After discussion, the Board concurred to direct ABHR to submit the District's standard notice to the newsletters and to omit any outdated information. 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, DISTRICT CONSULTANTS, AND SCRMA

No further reports were given.

COMMENTS FROM THE PUBLIC

No members of the public came forward to address the Board.

DATE, TIME, AND LOCATION FOR NEXT DISTRICT MEETING

The Board concurred the District's next meeting will be held October 3, 2014, at ABHR.

RECREATIONAL FACILITIES IN AND NEAR THE DISTRICT

Ms. Colette Garcia left the meeting.

Ms. Humphries discussed the City Council meeting of August 26, 2014 and email correspondence with Council members and City employees regarding the September 17, 2014 community informational meeting.

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 facilities for the Sports Park that will be added if the District and BC 26 fund the public water, sewer, and drainage facilities to serve the Sports Park.

The Board discussed cost-sharing options with BC 26 for the temporary ball fields and the public water, sewer, and drainage facilities to serve the Sports Park based on taxable value with and without BC 26's homestead exemption and based on the number of connections in each District.

Mr. DeForest discussed a projected timeline for the construction of the temporary ball fields and items that will increase the cost of the project, including the establishment of proper sheet flow and the addition of irrigation and a fence.

Ms. Williams discussed the possible \$685,000 contribution by each District for the public water, sewer, and drainage facilities to serve the Sports Park within the District's current financing plan, including the estimated cost per household over the next 20 years. Ms. Williams noted there is no need to increase the tax rate because of the additional \$685,000. Ms. Williams stated there is no impact on debt because adding this amount will not extend the debt service schedule and not adding the amount will not further expedite repayment of the District's debt.

Mr. Ross and Ms. Brook left the meeting.

The Board discussed possible negotiations with the City regarding amenities for the temporary ball fields if the public water, sewer, and drainage facilities are funded by the District and BC 26. Based on a request from the Board, Mr. Deforest said he will ask Michelle Graham, City Parks Director, about the temporary ball fields and future phases of the Sports Park.

Following review and discussion, Director Palmer moved to establish cost-sharing equally in a 50/50 split with BC 26 for the funding of the public water, sewer, and drainage facilities to serve the Sports Park, if the Districts decide to fund, and the cost of the temporary ball fields. Director Axtell seconded the motion, which passed unanimously.

Based on a request from the Board, Ms. Christina Garcia stated she will amend the budget by adjusting the line item for recreational facilities expense from \$50,000 to \$180,000, which will match the City of Pearland non-tax Revenue and cover the District's share of the cost of the temporary ball fields.

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

(SEAL)



Larry Reitz
Secretary, Board of Directors

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