

MINUTES OF REGULAR MEETING
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 18
HARRIS AND BRAZORIA COUNTIES, TEXAS

September 27, 2016

THE STATE OF TEXAS §
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HARRIS AND BRAZORIA §
COUNTIES §

The Board of Directors (the “Board”) of Brazoria County Municipal Utility District No. 18 (the “District”) of Harris and Brazoria Counties, Texas, met in regular session, open to the public, at 5:00 p.m., on the 27th day of September 2016, at the City of Pearland Public Library, 3522 Liberty Drive, Pearland, Brazoria County, Texas, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

O. E. (Mickey) McDonald	President
Wesley J. Boyer	Vice President
Richard W. Wach	Secretary/Treasurer
Kerri Connor	Assistant Secretary/Treasurer
Ronald Gerlach	Director

All members of the Board were present, thus constituting a quorum.

Also present were Ms. Dana Davis of Myrtle Cruz, Inc., the District’s Bookkeeper; Ms. Esther Kumaga of Assessments of the Southwest, Inc., the District’s Tax Assessor/Collector; Mr. Jaime Salinas, P.E., of Huitt Zollars, Inc., the District’s Engineer; Mr. Mark Roth of Roth & Eyring, PLLC, the District’s Auditor; Ms. Stacey Wagner and Ms. Shea Walker of Champions Hydro-Lawn, Ms. Julie Williams of Rathmann & Associates, L.P., the District’s Financial Advisor; and Mr. John W. Wallace of Bacon & Wallace, L.L.P., the District’s Attorney.

WHEREUPON, following a notation that notices of the meeting had been duly posted in accordance with law, copies of which are attached hereto as exhibits, the meeting was called to order.

PLEDGE OF ALLEGIANCE

Director Gerlach led the meeting in the Pledge of Allegiance.

PUBLIC COMMENTS

The November 29, 2016 and December 13, 2016 Board of Directors meeting will be held at the Bella Vita Annex, 1548 North Rivera, and the January 24, 2017 meeting will be at the Volunteer Fire Department on Walnut Street.

APPROVAL OF MINUTES

Minutes for the meeting of the Board of Directors held on August 13, 2016 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the minutes as presented.

AUDIT REPORT

Mark Roth presented for Board review and approval a draft of the District's Audit Report for the fiscal year ended June 30, 2016. Mr. Roth informed the Board that the City of Pearland tax rebate was not included in the draft Audit because Tommy Lee had not received the correct information. Mr. Roth stated that Mr. Lee should get the correct information soon. He then informed the Board that Harris County tax calculations had been completed and it was short by \$200,000.

Mr. Roth then recommended the Board not check the operating rebate until the Board determine how to make the City of Pearland accountable for the tax rebates in the future. John Wallace stated he would contact Tommy Lee and send a letter to the City of Pearland requesting an explanation for the discrepancies. Mr. Wallace stated that the District needed to understand the City of Pearland methodology and approach regarding the tax rebates. He also stated he would let them know the District expected payment for the connection charges.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to approve and authorize filing of the Audit Report for the fiscal year ended June 30, 2016, subject to final review and comments from the Attorney. A copy of the final Audit Report for 2016 will be included in the District's permanent records.

TAX ASSESSOR/COLLECTOR'S REPORT

Esther Kumaga presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as an exhibit. She informed the Board that 99.42% of the District's 2015 tax levy had been collected as of the previous month. Ms. Kumaga then reviewed and presented the Delinquent Tax Roll, a copy of which is attached hereto as an exhibit. Upon motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report and the disbursements from the tax account.

REVIEW OF DISTRICTS SAVINGS FROM SALE OF SERIES 2016 REFUNDING BONDS

Julie Williams reviewed the District's savings from the sale of Series 2016 Refunding Bonds. She stated the District gross savings from the sale of Series 2016 Refunding Bonds was \$690,000. Ms. Williams then informed the Board she would calculate the total savings from all of the prior Refunding Bonds.

BOOKKEEPER'S REPORT

Dana Davis presented the Bookkeeper's Report, a copy of which is attached hereto as an exhibit. Ms. Davis informed the Board that the debt service payment was made on September 2, 2016. She noted that the City of Pearland tax rebate had been received in the amount of \$10,467

and deposited into the General Operating Account. She then presented three checks that would be disbursed to Champions Hydro-Lawn, and she noted they would be on next month's report. Ms. Davis next reviewed the second month of the year-to-date budget and the Investment Report, copies of which are attached hereto as exhibits. Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report, the Investment Report, and payment of checks as presented.

ENGINEER'S REPORT/DETENTION POND MAINTENANCE

Jaime Salinas presented the Engineer's Report, a copy of which is attached hereto as an exhibit. Mr. Salinas stated that the mowing for September had been completed. He then informed the Board that the next scheduled mowing would be in October, and the winter over seeding would be completed in November. Mr. Salinas then reviewed the schedule for all detention ponds. Mr. Salinas reported that the Villa D'Este Section 2 overflow swale repair project had been completed. He stated there was some rainfall last night, and he would continue to monitor the swale. Mr. Salinas informed the Board that additional maintenance was needed for the Bella Vita Section 5 swale. He stated the swale was currently being mowed once a month. He explained that more frequent mowing of the swale would keep the swale flowing correctly. Mr. Salinas then reported that the extreme event overflow swale project at Bella Vita Section 5 had been completed. He noted that the grass should be established within a month. The Board agreed to have the homeowners association ("HOA") take over the maintenance.

Mr. Salinas informed the Board that the MUD signs had been installed. He then reported that Pine Hollow sign needed to be moved.

Stacey Wagner presented photographs of the recent work done in the District. She then proposed the Board consider additional maintenance for the channel to maintain Bella Vita Section 5 swale. She stated the cost to maintain Villa D' Este would increase from \$225 to \$900 yearly. The Board then discussed the possibility of the HOA taking over the maintenance of Villa d' Este. Ms. Wagner inform the Board she would remove it from the October maintenance schedule. Director Gerlach agreed to contact the HOA regarding the maintenance matter.

The Board stated they would take into consideration the cleaning of the Villa D' Este Section2 swale twice a month. Champions Hydro Lawn will continue with the regular maintenance.

Upon motion duly made and seconded, the Board voted unanimously to approve the Engineer's Report as presented.

TAX RATE RECOMMENDATION

Julie Williams presented and reviewed with the Board a recommendation letter regarding the District's 2016 tax rate, a copy of which is attached hereto as an exhibit. Ms. Williams recommended the District levy a debt service tax rate for 2016 of \$0.32 per \$100 of assessed valuation and a maintenance and operations tax levy of \$0.04 per \$100 of assessed valuation. She informed the Board that the District could reduce its 2016 debt service tax rate to \$0.03, and its maintenance and operations tax rate without incurring a tax increase. Ms. Williams stated the average home value increased from \$226,539 to \$243,969, and she noted last year's parity rate

was \$0.30 versus 2016 parity rate of \$0.36. She informed the Board that the 2016 certified and uncertified values totaled \$472,245,522. Ms. Williams next stated if the District levied the debt service tax rate of \$0.32 it would create an estimated cash flow coverage of 80 percent especially if the District was looking at further reductions next year.

The Board again discussed the apparent discrepancies with the City of Pearland tax rebates. Ms. Williams stated the City of Pearland tax rebate amount of \$0.15 should total \$672,950 per year, and it would start to decline in 2026.

Ms. Williams next discussed the maintenance tax rate analysis. She informed the Board that the District's operating funds had good coverage, and the current budget surplus was \$103,000. She stated the budgeted maintenance tax revenue for fiscal year ending June 20, 2017 was \$203,500. Ms. Williams informed the Board that the average tax bill for 2015 was \$883.50 at a tax rate of \$0.35 versus \$853.89 at a tax rate of \$0.35 for 2016.

Following discussion, upon motion duly made and seconded, the Board voted unanimously to authorize publication of the notice of public hearing on the 2016 Tax Rate based on a \$0.32 debt service tax rate, and a \$0.03 maintenance tax rate, for a total tax rate of \$0.35.

ORDER REGARDING ANNUAL REVIEW OF INVESTMENT POLICY


Mr. Wallace next presented the Order Regarding Annual Review of Investment Policy, a copy of which is attached hereto as an exhibit. Upon motion duly made and seconded, the Board voted unanimously to approve the Order as presented.

FIRST BILLING PAYMENT SERVICES AGREEMENT

Ms. Kumaga presented the credit card agreement for tax collections. She stated they are using a new company to process payments so that customer would be able to pay using a credit card or by electronic check.

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

(SEAL)


Secretary, Board of Directors

