

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

September 22, 2015

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 6:00 p.m., on the 22nd day of September, 2015, 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 Eyring of Roth & Eyring, PLLC, the District’s Auditor; Ms. Julia S. Williams of Rathmann & Associates, L.P., the District’s Financial Advisor; and Mr. John R. 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 McDonald led the meeting in the Pledge of Allegiance.

PUBLIC COMMENTS

There were no members of the public present.

APPROVAL OF MINUTES

Minutes for the meeting of the Board of Directors held on August 25, 2015 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 Eyring presented for Board review and approval a draft of the District's Audit Report for the fiscal year ended June 30, 2015. Mr. Eyring reported that no significant problems were found, and he provided a clean opinion on the District's financial position. He also reviewed with the Board the Management Discussion and Analysis letter and noted that all District funds were adequately secured. 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, 2015, subject to final review and comments from the Board and consultants. A copy of the final Audit Report for 2015 will be included in the District's permanent records.

BOOKKEEPER'S REPORT

Dana Davis presented the Bookkeeper's report, a copy of which is attached hereto as an exhibit. She reported the Capital Projects Fund will be closed out next month. Ms. Davis informed the Board \$3,144.20 was returned to the District from erroneous tax deposits, and all funds have been reconciled. She then reviewed the year-to-date budget for the second month of the District's fiscal year and the Investment Report. Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report, the Investment Report and the payment of checks, as presented.

TAX ASSESSOR/COLLECTOR'S REPORT

Esther Kumaga presented the Tax Assessor/Collector's Report and the Unpaid Accounts Tax Roll, copies of which are attached hereto as exhibits. She reported the District collected 99.32% of the 2014 tax levy as of the previous month. 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.

ENGINEERING REPORT

Jaime Salinas presented the Engineer's Report, a copy of which is attached hereto as an exhibit. He noted that the September mowing was complete, and the District spent \$22,271 to date on maintenance. Mr. Salinas stated the next mowing would occur in October, and the fall fertilization and overseeding would be performed in November.

Mr. Salinas informed the Board he is anticipating receipt of a notice from the City of Pearland regarding the Ravenwood, West Oaks Village, Centennial Village and Towne Lake detention ponds. He noted the City will ask the District to mow up to the edge of the pavement, which is the City right of way. Mr. Salinas informed the Board that will add an approximate 30-

should arrive soon. Mr. Salinas noted he did not have prices for this extra work yet, but he will ask Stacy Wagner to price the additional service.

Mr. Salinas reported that Brazoria County Drainage District No. 4 appeared to have done some work on the channel to fix the erosion problem. He noted that the remote pond and the entrance have been damaged by four-wheel drive traffic. He added that the mowers could not access the pond at either entry location, so those areas will need to be regraded. Mr. Salinas estimated the cost at approximately \$7,700 for 1,000 linear feet of access road. The Board agreed that the quote seemed high and asked Mr. Salinas to obtain some alternate quotes from Champions Hydro-lawn.

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

TAX RATE RECOMMENDATION

Julia Williams presented and reviewed with the Board a recommendation letter regarding the District's 2015 tax rate, a copy of which is attached hereto as an exhibit. Ms. Williams recommended the District levy a debt service tax for 2015 of \$0.35 per \$100 of assessed valuation, representing an \$0.08 reduction from 2014 and a maintenance tax of \$0.04, which will produce approximately \$172,489 in maintenance tax revenue. She stated the maintenance tax could be raised to \$0.08 without incurring a tax increase. Ms. Williams reported the District's assessed value for 2015 is \$435,578,617, which includes \$28,000,000 still under protest. She informed the Board this is consistent with the region. Ms. Williams noted the average home value increased from \$208,932 in 2014 to \$226,010 in 2015. She reported \$0.434 is the parity tax rate. Ms. Williams noted a debt service rate of \$0.35 would produce a very healthy debt service coverage, but it would reduce reserves over time. She then presented an analysis of the District's Operating Fund, noting the District has 284% Operating Fund coverage, with \$88,500 of projected surplus. Ms. Williams noted a maintenance tax rate of \$0.04 will produce a surplus of \$50,000, and a maintenance tax rate of \$0.08 will produce a surplus of \$285,000. She suggested the District could redeem additional bonds. A discussion ensued among the Board.

Upon motion duly made and seconded, the Board voted unanimously to authorize publication of a Notice of Public Hearing on the 2015 Tax Rate based on a \$0.35 debt service tax rate, and a \$0.04 maintenance and operations tax rate, for a total tax rate of \$0.39.

ANNUAL REVIEW OF INVESTMENT POLICY

Mr. Wallace presented for the Board's review the Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of District Funds. After discussion, upon motion duly made and seconded, the Board voted unanimously to approve the Order Regarding Annual Review of Rules, Policies and Code of Ethics for the Investment of District Funds. A copy of the Order is attached hereto as an exhibit.

OTHER MATTERS

Due to the upcoming holidays, the Board scheduled special dates of November 17, 2015 and December 15, 2015 for the next two meetings to be held in the conference room of the City of Pearland Public Library.

A discussion ensued regarding security options for the detention ponds and the vehicular traffic at the remote pond. It was noted there is no power at the remote pond, so security cameras would not be feasible.

Director Boyer suggested hiring part-time police officers for security. It was noted this option would be expensive, and it was doubtful that it would generate any arrests. It was also noted most of the activity occurs on the weekends. Mr. Salinas predicted that over time, as more development occurs in the District, these people will be forced to move on. The Board determined to take a wait and see attitude.

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

(SEAL)

Secretary, Board of Directors