

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

July 24, 2007

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Board of Directors (the "Board") of Brazoria County Municipal Utility District No. 18 (the "District") of Brazoria County, Texas, met in regular session, open to the public, at 6:00 p.m. on the 24th day of July 2007, at the regular meeting place thereof, the Pearland Public Library, 3522 Liberty Drive, Pearland, Texas, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Brandon J. Shimek	President
O.E. (Mickey) McDonald	Vice President
Richard W. Wach	Secretary/Treasurer
Terry L. Webb	Assistant Secretary
Linda Mitchell	Director

All directors were present, thus constituting a quorum.

Also present were Ms. Dana Davis of Myrtle Cruz, Inc., the District's Bookkeeper; Ms. Delia Yanez of Assessments of the Southwest, Inc., the District's Tax Assessor/Collector; Mr. Steve Gardner, P.E. and Ms. Stephanie Canady of Huitt-Zollars, Inc., the District's Engineers; Mr. Dennis Tiff of Champions Hydro-Lawn, Inc., the District's detention pond maintenance contractors; Ms. Renee McGuire of R. West Development Co., Inc., a developer in the District; Ms. Nancy Kozanecki, representing the Pine Hollow Homeowners Association; Mr. Edward Miller, Sr., Mr. James Gorman, Mr. John Devereaux, Ms. Theresa Devereaux, Ms. Margo Green, Ms. Yolanda Brown and Ms. Julie McClung, residents of the District; Mr. John R. Wallace and Ms. Kim Laird of Bacon & Wallace, L.L.P., the District's Attorneys.

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.

PUBLIC COMMENTS

John Devereaux addressed the Board and asked whether the District could assist in landscaping or irrigation of the esplanade in front of the Bella Vita subdivision on Scarsdale Boulevard. Mr. Devereaux said that he would like to see irrigation or landscaping in this area. Mr. Wallace asked the Engineer if there was a water line to this area. Steve Gardner said that the

City of Pearland (the "City") served this area. Renee McGuire mentioned that a developer would be able to tap into this line. Director Shimek said that the District was unable to use tax money for improvement projects. Director Shimek said that possibly in the future the District could work with other entities and developers to coordinate improvements in the District. Margo Green asked which entity should be contacted about improvements. James Gorman said that when he contacted the City of Pearland about improvements to Scarsdale Boulevard, he was told that it was not on the list of City projects. He said that he was told to contact Harris County. Mr. Gorman contacted the County and was told that the County does not do landscaping. Director Webb said that it sounded as if there were a problem between the County and the City. He said that the District did not want to set a precedent by contributing to this project. Director Shimek said that all of the neighborhoods in the District should be treated equally when it came to improvements. Ms. Green asked if the City should be contacted and told that the District was reviewing this matter. Director Shimek said that the residents should try to determine who installed the other landscaping along Scarsdale Blvd.

Ms. McGuire said that the City must have projects listed to allocate funds in its annual budget and bond issues. Ms. McGuire said that developers also have a landscaping budget. She said that the homeowners' associations should also have budgets for landscaping.

Nancy Kozanecki suggested that the residents access the "Keep Pearland Beautiful" website. She believed that they funded projects twice a year. Director Shimek asked the residents for their contact information and said that he would contact Harris County about needed improvements.

Mr. Wallace said that the residents should find out what the precedent was for landscaping that has been installed. He suggested that their request for improvements should not be treated as an entitlement, but that they should approach the various entities with an offer to work together on improvements for the public good. Mr. Wallace said that the more entities that could be persuaded to join in the improvements, the more likely the projects were to be approved.

Mr. Gorman, Mr. Devereux, Ms. Devereux, and Ms. Green departed the meeting at this time.

APPROVAL OF MINUTES

Minutes of the meeting of the Board of Directors held on June 26, 2007 were presented for review and approval. Upon motion duly made and seconded, the Board voted unanimously to approve the minutes as presented.

TAX ASSESSOR/COLLECTOR'S REPORT

Delia Yanez presented the Tax Assessor/Collector's report, a copy of which is attached hereto as an exhibit. Ms. Yanez reported that the District had collected 96.86% of the 2006 tax levy. Director Shimek noted that the Harris County Appraisal District had assessed the District's values for 2007 at \$343 million. Upon motion duly made and seconded, the Board voted

unanimously to approve the Tax Assessor/Collector's report and to authorize payment of the checks listed thereon.

BOOKKEEPER'S REPORT

Dana Davis presented the Bookkeeper's report, a copy of which is attached hereto as an exhibit. Ms. Davis reported that the District had received a payment from the City of Pearland for June 2007 in the amount of \$8,815. Director Shimek asked that all of the consultants review the 2008 operating budget to make sure that the figures were accurate. Ms. Davis noted that the City of Pearland remits MUD fees to the District automatically, without the necessity of an invoice from the District, thereby saving the District money. Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's report and payment of the checks listed thereon.

ENGINEER'S REPORT

Mr. Gardner presented the Engineer's report, a copy of which is attached hereto as an exhibit.

Mr. Gardner reported that the utilities construction in Villa D'Este, Section 2 should commence in September 2007. Director Shimek asked what the average price of homes in the subdivision would be. Ms. McGuire answered \$350,000 to \$400,000. She said that there would be 52 homes with an average size of 3,000 square feet. Director Shimek said that the Tax Assessor had prepared a spreadsheet on assessed values in each new subdivision and it would be presented at the next Board meeting.

Ms. Kozanecki said that the City of Pearland was considering decommissioning Detention Pond No. 9 in Pine Hollow. Director Shimek said that the District needed to follow up with the Brazoria Drainage District ("BDD") to insure that the outfall channel is in place to drain the Lawrence Place subdivision. The Board requested that the Engineer send a letter to BDD about this matter.

Yolanda Brown and Julie McClung, residents on Grovesnor Court, complained to the Board about recent street flooding. Director Shimek suggested installing a pump on Pine Valley to alleviate this problem. The Board requested the Engineer to check the elevation on Grovesnor Court.

DETENTION POND MAINTENANCE

Director Shimek then requested that the Engineer oversee the monthly maintenance work performed on the detention ponds in the District by Champions Hydro-Lawn, Inc. He requested photographs be taken monthly showing the work performed. Director Shimek stated that he was against fertilization and seeding of the ponds, with the exception of Pine Hollow detention pond. Dennis Tiff said that the remote pond is not being seeded. Director Shimek said that the mowing schedule needed to be restructured. Mr. Tiff said that Champions could not operate under a schedule that required mowing every other month. He said that would increase the number of

passes necessary to mow and would be cost-prohibitive. He said a bi-monthly schedule would be acceptable during the non-growing season. Director Shimek said that the Board would re-evaluate the District's contract with Champions in October.

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

PROPOSED BOND ISSUE

Mr. Wallace presented a report prepared by the District's Financial Advisor related to the proposed bond issue. He said that Craig Rathmann would attend the Board's next meeting to discuss his recommendations. Mr. Wallace said that Mr. Rathmann had considered the feasibility of a bond refunding but that changes in the interest rate market have caused the proposed transaction to become unfeasible. Mr. Wallace said that if the market improves, then Mr. Rathmann will present the District with its options for bond refunding.

DEVELOPER'S REPORT

Ms. McGuire then reported that the scope of the English Lakes Boulevard project had been cut in half and rebid. She said that she was waiting on the City to open Oiler Boulevard before continuing the project.

Ms. McGuire said that home construction in Villa D'Este had been delayed by rain. She said that the builder was ready to commence construction of a model and ten homes when her company's work is complete.

Director Shimek asked Ms. McGuire to assist the Bella Vita residents with their landscaping request.

ATTORNEY'S REPORT

Mr. Wallace presented and reviewed with the Board an Engagement Letter for Arbitrage Rebate Report submitted by Arbitrage Compliance Specialists, Inc., a copy of which is attached hereto as an exhibit. Mr. Wallace said that according to Mr. Rathmann, such an audit was unnecessary in his opinion and he recommended against it. The Board agreed with this recommendation.

Director Shimek asked the District's Attorneys and Engineer to prepare for changes in the detention pond maintenance contract. He said he would like the contract put out for bids, with a new contract effective January 1, 2008.

OTHER BUSINESS

Director Shimek announced that he would like to begin each Board meeting with the Pledge of Allegiance. Mr. Wallace agreed to investigate securing flags for the meeting room.

Director Shimek cautioned the Directors about discussing District business outside of a called Board meeting. Mr. Wallace explained the Open Meetings Act to the Board members. Mr. Wallace said that when three directors are together it could be construed as a Board meeting. Mr. Wallace said that agendas of Board meetings must be posted at least 72 hours in advance of the meetings at the county clerks' offices in Harris and Brazoria County and in the District. If the Attorney is not present at a meeting, then someone present at the meeting must take notes for the minutes to be prepared following the meeting. This is not necessary if only one or two Board members attend a homeowners association or other type of meeting. Mr. Wallace said that the Board members need to avoid communication that could be interpreted as deliberation outside of Board meetings, for example, e-mails and telephone calls. All District business must be done in public meetings.

Mr. Wallace then explained that the District could use operating funds to pay for landscaping and irrigation under the parks powers granted to water districts in the Water Code. He said that the District must first adopt rules and regulations regarding parks powers. Mr. Wallace said that there are certain restrictions on the types of projects that the District can undertake. Mr. Wallace said that the District could sell bonds to pay for park improvements, but park bonds would require a special bond election. He said that the amount of bonds the District could issue for parks is capped at one percent of the District's total assessed valuation. He said that the District could pay for small park projects, such as landscaping, from operating funds.

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

Secretary, Board of Directors

(SEAL)