

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

August 28, 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 28th day of August 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. Cathy Brittain of Assessments of the Southwest, Inc., the District's Tax Assessor/Collector; Mr. Jaime Salinas and Ms. Stephanie Canady of Huitt-Zollars, Inc., the District's Engineers; Mr. Lou Triche and Mr. Dennis Tiff of Champions Hydro-Lawn, Inc., the District's detention pond maintenance contractors; Mr. Craig Rathmann of Rathmann & Associates, Inc., the District's Financial Advisor; Mr. Pierre Nys of Kirby Run Management, a developer in the District; Ms. Nancy Kozanecki, representing the Pine Hollow Homeowners Association; Mr. Edward Miller, Sr., Mr. John Devereaux, Ms. Theresa Devereaux, Ms. Margo Green, Ms. Yolanda Brown, Ms. Julie McClung, Mr. Kevin Lumpkin, Ms. Carol Barker, Mr. James Gorman, Ms. Sandra Soule, Mr. Ron Rushing, Ms. Kelly Lavigne, Mr. Richard Mann, Mr. Wes Boyer, 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

Margo Green addressed the Board and asked the Board to consider contributing funds to landscape the median on Scarsdale Boulevard in front of the Bellavita Subdivision. Ms. Green said that she had attended a City of Pearland (the "City") City Council meeting where she was

told that the City might include her request to landscape the esplanade in its schedule of projects to be undertaken six to eight months from now. Ms. Green said that the City Council would welcome the District's assistance in the project. Director Shimek said that the District does not have discretionary funds for landscaping the esplanades. Ms. Green asked what the District's mission is. She said that other municipal utility districts had installed landscaping in the esplanades within their boundaries. Mr. Wallace explained how the District used its tax money for bond payments and other purposes permitted by the Texas Legislature. Several of the residents mentioned the landscaping projects in Clearbrook Municipal Utility District. Director McDonald reported that the goal of the District is to pay off its bonds and then be dissolved. Director Shimek noted that Scarsdale Boulevard is within the District's boundaries according to its aerial map. Director Shimek said that the Board of Directors would take a look at the budget at the end of the year to see if a surplus existed for projects such as the one proposed by Ms. Green. Ms. Green said that all of the homeowners associations would benefit from landscaping projects. Director Shimek said that he would like to have contact information for all of the homeowners associations in the District.

Ms. Kozanecki requested that the District's Board meetings be scheduled later in the evening so that more residents would be able to attend.

Wes Boyer, president of the West Oaks Homeowners Association, asked if portions of the District could be de-annexed. Mr. Wallace said that the District's taxable value is pledged to pay off its bonds. He said that the District was contractually obligated to issue one more series of bonds for developer reimbursement. He said that under a consent agreement with the City of Pearland, the City would dissolve the District when the District's debt was paid off. Mr. Boyer asked when the bonds would be paid off and the District dissolved. Craig Rathmann explained that the soonest the District could be dissolved would be September 1, 2031, because that is the last maturity date of the District's existing bond indebtedness. Mr. Rathmann said that dissolution would be at the discretion of the City and that the City would only dissolve the District for political or economic reasons. He said that the political reasons are unpredictable, but that the economic reasons are predictable and would be that the District's debt is paid off, because the District is currently within the boundaries of the City and the City already owns and operates the water and sewer systems.

TAX RATE RECOMMENDATION

Mr. Rathmann presented and reviewed with the Board a 2007 tax rate recommendation letter, a copy of which is attached hereto as an exhibit. Mr. Rathmann recommended that the District levy a debt service tax rate of \$0.53 per \$100 of assessed valuation, and maintenance and operations tax rate of \$0.05 per \$100 of assessed valuation. This rate would be a \$0.03 reduction of the debt service rate from last year. Mr. Rathmann said that interest rates were trending upwards and that the District's credit rating has improved over time. Mr. Rathmann reported that the District's tax base had increased \$35 million from 2006, including \$25 million of value uncertified by the appraisal district. Mr. Rathmann said that the City rebates \$0.15 per \$100 of the assessment collected to the District. He noted that the District has maintained significant cash reserves in the debt service account, currently amounting to 90% debt coverage. Mr. Rathmann predicts a continuing decrease in the District's tax rate due to the fact that after the

proposed 2007 bond issue there would not be any more bonds sold. Mr. Rathmann said that he did not use a growth assumption in his calculations for the District's tax rate because the District is almost built out. Upon motion duly made and seconded, the Board voted unanimously to approve Mr. Rathmann's 2007 tax recommendation and to authorize the Tax Assessor to publish a Notice of Public Hearing on Tax Rate.

PROPOSED 2007 BONDS

Mr. Rathmann said that it would be feasible to submit a bond application to the Texas Commission on Environmental Quality for 2007. Mr. Rathmann said that the Board members would have many chances to review the proposed bond issue prior to the sale when the debt would actually be incurred. Ms. Canady said the engineering report for the bond application would be ready for next month's meeting.

APPROVAL OF MINUTES

Minutes of the meeting of the Board of Directors held on July 24, 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

Cathy Brittain presented the Tax Assessor/Collector's report, a copy of which is attached hereto as an exhibit. Ms. Brittain reported that the District had collected 98% of the 2006 tax levy. Ms. Brittain reported that she had received a request from a District taxpayer, Bonnie Bloodworth, seeking relief from penalties and interest for delinquent taxes. Ms. Brittain said that no mistake on the part of the Tax Assessor/Collector had caused the account to be delinquent, and she, therefore, recommended against granting the request. The Board determined to deny the request. 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 not yet received the tax payment from the City of Pearland for July 2007, which accounted for the one month budget deficit. Upon motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's report and payment of the checks listed thereon.

Ms. Brittain and Ms. Davis departed the meeting at this time.

ENGINEER'S REPORT

Stephanie Canady presented the Engineer's report, a copy of which is attached hereto as an exhibit. Ms. Canady reported on a meeting held with Champions Hydro-Lawn, Inc. ("Champions") to redefine the scope of work required by the District and the updated mowing

acreage maps. Ms. Canady compared a summary of the District's current annual service by Champions including the updated acreages with Champions' recommended summary of annual services for the District, copies of which are attached to the Engineer's Report. Director Shimek said that the Board may need to schedule a special meeting to discuss the proposed contract revisions.

Ms. Canady reported that TCEQ will require signage at two or more principal entrances to the District as part of the approval process for the proposed bond issue. She reported on a bid received from Signtec in the amount of \$5,750 for a total of ten signs in the District.


With regard to the Lawrence Place Street flooding, Ms. Canady reported that Steve Gardner had written a letter to Mike Yost of Brazoria Drainage District No. 4 about the outfall channel that takes the drainage from Lawrence Place subdivision. A copy of the letter is attached to the Engineer's Report. Ms. Canady reported that Grovesnor Court had been inspected and that water was pooling and the gutter was full of sand and dirt. Pierre Nys reported that two houses were under construction on Grovesnor Court, which probably contributed to the obstruction of the gutters. Ms. Canady reported that the inspector recommended cutting a groove in the center of the gutter to improve drainage. Mr. Nys said that the streets belong to the City now and the City should repair them. The Board requested that the Engineer send a letter to the City requesting resolution of this matter.

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

OTHER BUSINESS

Richard Mann reported to the Board that there was a sheet drainage problem in the Pine Hollow Estates subdivision. Ms. Kozaneki said that the homeowners association was working to solve this problem.

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


Secretary, Board of Directors

(SEAL)

