

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

June 21, 2016

The Board of Directors (the "Board") of Fort Bend County Municipal Utility District No. 140 (the "District") met in regular session, open to the public, on June 21, 2016, at 12:00 p.m., at the offices of Roberts Markel Weinberg Butler Hailey PC, 2277 Plaza Drive, Suite 290, Sugar Land, Fort Bend County, Texas 77479, outside the boundaries of the District and in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board, as follows:

Jack Morgan Brady	President
Gordon Yeatts	Vice President
Rosa Coward	Assistant Vice President
Arden Myers	Secretary
John Braswell	Assistant Secretary

and all of said persons were present with the exception of Director Yeatts, thus constituting a quorum.

Also present during all or part of the meeting were Ron Dechert and Stephen Wilcox of Costello, Inc.; Mike Arterburn and Monica Pena of Utility Tax Service, LLC ("Utility Tax"); Diane Bailey of McLennan and Associates; Susan Lang and Howard Christian of the City of Richmond ("City"); Les Newton, Jim Harper and Melia Durham of Planned Community Developers Ltd. ("PCD"); Julie Peak of FirstSouthwest, a division of Hilltop Securities; Phil Halbert of Champions Hydrowlawn; Jeanne McDonald, Joel Cleveland and Olivia Galvan of Jeanne H. McDonald, P.C and members of the public listed on the sign in sheet attached hereto.

The Board meeting was called to order in the former offices of Amegy Bank at 2277 Plaza Drive, Suite 100, Sugar Land, Texas 77479, instead of the noticed location (Suite 290 of the same building). The meeting was moved to the larger space in order to accommodate a greater number of attendees, for which the noticed meeting location was inadequate. Notice informing the public of the changed meeting location was posted on the door of Suite 290 as well as on the building elevators. Ms. Durham further assisted with directing members of the public to the revised meeting room.

PUBLIC COMMENTS

Director Brady called the meeting to order and thanked everyone for attending. He then introduced himself as the President of the District's Board of Directors and further introduced the other Board members and the District's attorney, Ms. McDonald. Ms. McDonald then apologized for the accommodations and noted that the District would be considering the approval of alternate meeting locations later on in the meeting. She then outlined the agenda for the discussions of the recent high water event on the Brazos River and asked that questions be

reserved until the conclusion of the presentations. She noted that the District's Board only meets once per month and that this was the first such meeting since the flooding and the first opportunity for the Board to consult with and direct its consultants.

HIGH WATER EVENT

Ms. McDonald then introduced Mr. Newton who provided a presentation on the history of the development of the District, the significance of revisions to the Federal Emergency Management Agencies ("FEMA") floodplain maps for Fort Bend County during development of the District, the efforts made to minimize the impact of the revised maps on then-current and future District residents, and the impact of the recent high water event on the District. He explained that the land constituting the District was purchased in 2002 and that development began in 2003. Mr. Newton then explained that all of the land within the District was outside the 100-year floodplain when development began in 2003 and that development was subsequently halted in 2008 when the developer became aware that the floodplain maps were being revised by FEMA and that the District would be included in the revised 100-year floodplain. Mr. Newton stated that no District lots were ever sold that were, at the time they were sold, located within the 100-year floodplain. He reported however that certain lots sold and developed prior to 2008 were subsequently located within the 100-year floodplain by virtue of FEMA's revisions to the maps.

Mr. Newton then reported that the District and developer had previously investigated the feasibility of constructing a levee around the District, concluding that the project was not financially feasible due to legal limitations on tax rates enforced by the Texas Commission on Environmental Quality that would not allow the District to sell bonds to finance the project.

Mr. Newton then reported that confirmation had recently been received that Fort Bend County MUD No. 145 ("FBMUD145"), a neighboring municipal utility district, removed a portion of a connecting embankment constructed by the District and FBMUD145 without notice to the District. He reported that the embankment had been located along the Brazos River to the west of FBMUD145 and was a joint project between the two districts for the benefit of both districts. Mr. Newton then stated that he could not speak for the District or its Board of Directors, but he believed that the removal of the embankment contributed to the severity of the flooding in the District.

Mr. Newton then reported on possible mitigation efforts that could lessen the effects of future high water events, such as flap gates on the District's storm sewer outlets and the reconstruction of the previously mentioned embankment adjacent to the Rio Vista development.

In response to previously submitted comments from the public, Mr. Newton, Mr. Wilcox and Mr. Dechert explained that 1) the District's drainage system was designed to accommodate the 100-year flood, in compliance with regulatory and market standard for such developments; 2.) the lots in the District were designed to drain to the streets and the streets were designed to hold water during a 100-year flood event; 3.) the County, not FEMA, would have to approve and be involved in any efforts to reconstruct the embankment by FBMUD145; and 4.) the Pecan Grove levee, and other area levees, should not have negatively impacted the District during the

high water event as developments are required by regulatory authorities to provide evidence that no harm to neighboring properties will occur by virtue of their development.

Mr. Newton concluded his presentation by reiterating that the top priority, in his opinion, was to pursue the reconstruction of the embankment as well as to investigate other potential mitigation options. He also recommended that the District provide residents with access to technical information in connection with removal of the embankment of Rio Vista to assist residents with analyzing any claims they may wish to consider.

Action was taken below.

ENGINEER'S REPORT

This item was taken out of order. There was no written report.

a. Union Pacific Railroad

Ms. McDonald then reported that a 16-inch water line that served the District was damaged by Union Pacific Railroad during its emergency efforts to repair its bridge crossing the Brazos River. She explained that the District was still being served with potable water. She then introduced Mr. Christian with the City of Richmond, who further discussed the repairs being made by Union Pacific Railroad. He also stated that the City would repair the damaged water line as soon as practicable. No action was necessary.

b. Relocation of Water Line Due to Erosion of High Bank of the Brazos River

Mr. Christian also informed the Board that the City was considering relocating the 16-inch water line due to erosion concerns.

A resident then inquired as to the actions the Board would take regarding the loss of fencing near the Brazos River. In response, Ms. McDonald stated that the safety issue would be addressed later in the meeting.

Ms. McDonald then recommended that the Board consider authorizing the District's engineers to investigate the feasibility of reconstructing the embankment adjacent to Rio Vista and to investigate other potential flood mitigation measures at a cost not to exceed \$25,000. She also inquired as to the Board's interest in authorizing her to request proposals for litigation services or engage a litigation attorney to assess any claim the District may have against Rio Vista for its removal of the embankment. After discussion, Director Brady moved to authorize the District's engineers to investigate the feasibility of reconstructing the embankment adjacent to Rio Vista and to investigate other potential flood mitigation measures at a cost not to exceed \$25,000 and authorize Ms. McDonald to engage a litigation attorney to assess potential claims related to the removal of the embankment. Director Coward seconded the motion, and it passed unanimously.

PUBLIC COMMENTS

This item was revisited. Ms. McDonald then opened the meeting to the public for questions or comments.

Ms. Rhonda McDaniel then asked whether Union Pacific Railroad's ("UPR") repairs would cause bottlenecks in the Brazos River. In response, Mr. Christian stated that in his conversations with UPR, the repairs being conducted were to restore the loss of natural bank being swept away by the Brazos River with new material, and he did not believe it could significantly affect water flow.

Mr. Sammy Larbi then stated that he had reviewed an engineer's feasibility report prepared by the District's engineering firm on the feasibility of constructing a levee around the District. He then inquired regarding the calculations used by the engineering firm in determining the feasibility of the levee. In response, Mr. Dechert explained the method used to reach the calculation presented in the report. Mr. Larbi then stated that he conducted his own analysis on the feasibility and believed that the construction of a levee may be feasible. In response, Ms. Peak provided a brief explanation of the District's financial health and current debt. Mr. Larbi then stated that he could provide the District with a copy of his analysis. Ms. Peak said she would review Mr. Larbi's analysis on behalf of the Board.

Mr. Brian Galloy then stated that he was a resident of the District who suffered flood damage and that he did not have flood insurance on the property. He then inquired if the Developer had any intent to buy back the flooded homes in the District. Mr. Newton said that he did not.

Mr. Harry Murray then stated that UPR would be repairing any roads damaged during the emergency repairs it was conducting to the bridge across the Brazos River and wanted to report the damage by heavy rocks to Blaisdale Road. Mr. Murray then explained that residents were monitoring the closest water gauge to the District and inquired as to the ability to have an additional gauge installed closer to the District. In response, Mr. Wilcox explained the unlikelihood of an additional gauge being installed due to the proximity to the existing gauge and the associated costs. Mr. Wilcox also explained that high water markers had been set all along the Brazos River in Fort Bend County and were being inspected by his firm.

Mr. Winston Payne then introduced himself as a resident of DRS (the development immediately north of the District) and stated his interest in working with the District on a collaborative effort to mitigate flooding in the area.

Mr. Gene Palmer then inquired if the recent high water event was a 100-year event. In response, Mr. Wilcox stated that it was as yet undetermined but that, if it was not technically a 100-year event, it was very close. Ms. McDonald then stated that water levels on the Brazos had reached record highs by a significant margin.

Ms. Thuyvi Palmer then asked when additional official information would be released regarding the flood from other governmental entities. In response, Ms. McDonald explained that

residents could always submit public information requests to acquire information from governmental entities.

Mr. David Smith then stated that he was a District resident and had also suffered flood damage. He stated that his property regularly floods during heavy rain events and is impacted by water flow from the DRS property behind his home. He stated that he had previously filed a claim with FEMA in 2012 and contacted the District's engineer due to the flooding of his property. In response, Mr. Dechert said he spoke with Mr. Smith previously, and, based on his recollection, he believed that the rain fall during the 2012 event had exceeded the 100-year flood and the capacity of the District's drainage system.

Ms. Mary Ann Walker then mentioned the idea of constructing a flood wall between DRS and the District to eliminate the infiltration of runoff from DRS.

Ms. Rhonda McDaniels then inquired if work conducted by Pecan Grove MUD caused sewage to back up into her home. In response, Mr. Wilcox explained that the District had independent sanitary sewer and storm sewer systems and that Pecan Grove's activities could not have affected either of the District's sewer systems. Ms. Daniels then stated that several of her Silver Creek neighbors had also experienced sewage backup in their homes. Mr. Dechert then stated that he had been unaware of sewage issues and would investigate.

Mr. Ed Harrigan then pointed out that a 2003 drainage study by the District's engineers contemplated the diversion of storm water runoff occurring north of the District to highway 359. He inquired whether the system was constructed and/or adequate. In response, Mr. Wilcox explained that the referenced report analyzed local rain events, not sheet flow events (i.e., river flooding events such as the one at issue). He reported that the system was never designed to divert the amount of water that topped the banks of the Brazos and flowed down through the District. He also stated that FEMA models were used for sheet flow analysis. Mr. Harrigan then inquired whether analysis was done for a 500-year event. Mr. Wilcox replied that no analysis had been conducted regarding a 500-year event. Discussion then ensued regarding the regulatory and market standard of developing for the 100-year event, as opposed to the 500-year event.

Mr. Randy Stoker then inquired why the embankment that served both the District and Rio Vista had not been monitored. In response, Mr. Newton stated that there was no expectation that it would ever be removed.

A resident then inquired about river erosion at the north-west corner of the District and why certain lots were platted so close to the river bank. In response, Mr. Newton stated that plats were reviewed by the City and County and that a significant buffer had been required between the river bank and any lots constructed. The resident then asked what entity was responsible for monitoring for such erosion. In response, Mr. Newton stated that he did not believe any entity was responsible for monitoring for this type of river bank erosion.

Mr. Stanley Lopez then inquired about the man made changes to the area and their effect on flooding. He also inquired about the effect of higher levees in the area and the effect of new

developments. In response, Ms. Donald explained that the City and the County review plans and specifications of other developments and they must show no impact to be approved.

Director Brady then inquired about the number of homes within the District that were impacted by the flooding. In response, Mr. Arterburn stated that an employee had driven through the District and, based on visual observations, he believed that 36 homes had suffered water damage.

Mr. Bryan Galloy then inquired about the rapid drainage of the water from the streets once the river stopped topping its banks north of the District. In response, Mr. Dechert explained that once the water stopped overflowing its banks, the District's drainage system was able to work properly.

Mr. Terry Darnell then stated that he was a resident of the District with property that suffered flood damage. He then stated that the force of the water entering the District should also be a concern. Discussion then ensued regarding whether additional drainage could be installed to mitigate runoff from DRS from entering the District.

Ms. McDonald then announced that, due to the constraints of maintaining a quorum, no further public comments could be addressed. She stated that the District's engineers would remain available for additional questions while the District's Board of Directors reconvened in its regular meeting location upstairs. She informed the public that they were also welcome to join the Board upstairs for the duration of the meeting. After a brief discussion, the Board concurred to authorize its consultants to coordinate an evening meeting closer to the District for the benefit of residents that had been unable to attend the present meeting.

MINUTES

The Board considered approving the minutes of its regular meeting on May 17, 2016. After discussion, Director Myers moved to approve the minutes of the May 17, 2016, regular meeting as presented. Director Coward seconded the motion, which passed unanimously.

ACTION LIST

There was no action list.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Pena distributed and reviewed with the Board the Tax Assessor-Collector's Report for May 2016, a copy of which is attached hereto. She reported that as of May 31, 2016, the District's 2015 taxes were 98.55% collected. After discussion, Director Myers moved to approve the Tax Assessor/Collector's Report and payment of the bills. Director Coward seconded the motion, and it passed unanimously.

DELINQUENT TAX ATTORNEY'S REPORT

There was no report from the Delinquent Tax Attorney.

AUDITOR

This item was tabled.

BOOKKEEPER

Ms. Bailey then distributed and reviewed with the Board the Bookkeeper's Report from May 18, 2016, through June 20, 2016, and an Investment Report for May, copies of which are attached hereto. She reported a 17.99 month reserve in the District's operating account. After discussion, Director Braswell moved to approve the Bookkeeper's Report, the Investment Report and the payment of the bills. Director Myers seconded the motion, which passed unanimously.

BUDGET

Ms. Bailey then presented a draft of the District's operating budget for fiscal year ending July 31, 2017. After discussion, this item was tabled.

OPERATOR'S REPORT

Ms. Lang next presented the Operator's Report for May 2016, a copy of which is attached hereto. She reported 704 connections, 19 delinquent accounts and no identity thefts for May 2016. Ms. Lang then presented a request from Ms. Tamara Haring at 2606 Stoneport Court for a water bill adjustment in the amount of \$16.90 due to a water leak on the customer's side of the meter. Ms. McDonald then explained that the customer was responsible for maintaining her own system on her side of the water meter. Director Brady moved to deny Ms. Haring's request for an adjustment to her water bill. Director Myers seconded the motion, which passed unanimously.

Director Brady then inquired whether any of the accounts on the delinquent list may have been impacted by the recent high water event. Mr. Arterburn then reported that some delinquent account may have been impacted. Action was taken below.

Ms. McDonald then reported that a customer at 111 River Cove Lane had requested that the District stop the practice of hanging disconnection notices on his front door. She explained that the customer sent the request via email to the City and threatened physical violence should a door hanger notice be placed on his door. Ms. Lang then explained that her office would take steps to remove the customer from its notification distribution system. Ms. McDonald then explained that the District would record the customer's request in the District's files. Action was taken below.

CONSUMER CONFIDENCE REPORT

Ms. Lang reported that the Consumer Confidence Report had been completed and distributed.

After discussion, Director Coward moved to approve the Operator's report, postpone consideration of terminating service to those customers with delinquent accounts due to the recent

high water event, approve the request from customer at 111 River Cove Lane to stop hanging disconnection notices on his door, and approve the annual Consumer Confidence Report. Director Myers seconded the motion, which passed unanimously.

SURFACE WATER

Ms. Lang stated that distribution of a reuse credit report is expected next month. No action was necessary.

GROUNDWATER FACILITIES

Ms. Lang had nothing new to report.

MAINTENANCE OF RECREATIONAL FACILITIES

a. Report on work performed by Champions Hydrolawn;

There was no report.

b. Report on work performed by James King Construction;

There was no report. Ms. McDonald then recommended the repair of fencing near the Brazos River by James King due to safety concerns raised earlier by a District resident. Action was taken below.

c. Report on work performed by Lake Management Services, L.P., and consider and approve proposal to repair make-up pump at pond no. 3; and

Ms. McDonald then presented a proposal from Lake Management Services to replace the make-up pump for Detention Pond No. 3 in the amount of \$2,950.00. She explained that Lake Management Services had inspected the pump and concluded that it would need to be replaced. After discussion, Director Braswell moved to approve the replacement of the make-up pump for Detention Pond No. 3 in the amount of \$2,950.00. Director Coward seconded the motion, and it passed unanimously.

d. Report on work performed by Brazos River's Edge Community Association, Inc., and consider and approve payment of invoices for pressure washing of the District's lift station fences.

There was no report. The invoice in the amount of \$850.00 for the pressure washing of the District's lift station fences was approved as one of the invoices in the Bookkeeper's Report.

BOND ISSUE

Ms. Peak informed the Board that the District had provided the appropriate disclosures in its past bond offering documents with respect to flood risk in the District, and she explained the disclosure process the District would need to undertake going forward now that certain properties had experienced flooding.

Director Brady then inquired about the impact to property values from the recent flooding. Mr. Arterburn then explained the reappraisal process being considered by the County. Mr. Lopez then inquired about the legal recourse options available to residents against the County regarding its property valuations. In response, Mr. Arterburn explained the appraisal district's procedure allowing residents to dispute their property values. Mr. Lopez then requested that the Board consider the impact to property values when the District considers any potential reappraisals of properties affected by the flooding.

Ms. Peak then presented and reviewed with the Board a notification required by the Municipal Securities Rulemaking Board pursuant to its Rule G-42, a copy of which is attached hereto. No action was necessary.

DEVELOPER

There was no report.

Director Braswell left the meeting at 2:09 p.m.

MEETING PLACES

Ms. McDonald then presented a Resolution Adding Additional Meeting Places Outside the District for the Board's consideration. Ms. McDonald explained that the additional meeting places would be the City of Richmond City Hall Annex; Imperial Park Recreation Center; T.E. Harman Senior Center; and Pecan Grove Baptist Church. After discussion, Director Coward moved to adopt a resolution adding the City of Richmond City Hall Annex; Imperial Park Recreation Center; T.E. Harman Senior Center; and Pecan Grove Baptist Church as additional meeting places for the District and to authorize the attorney to publish notice of such meeting places as required by law. Director Myers seconded the motion, which passed unanimously.

PUBLIC INFORMATION ACT REQUESTS

This item was tabled.

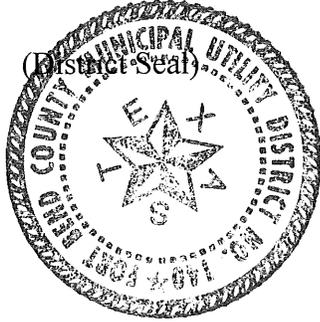
EXECUTIVE SESSION

The Board did not convene in executive session.

ADJOURNMENT

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

Arden Myers
Secretary



LIST OF ATTACHMENTS TO MINUTES

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ACTION LIST

Attorney will coordinate resident meeting with District residents.