

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

August 16, 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 August 16, 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 Greg Frank of Costello, Inc.; Mike Arterburn of Utility Tax Service, LLC ("Utility Tax"); Phil Halbert of Champions Hydrolawn, Inc. ("Champions"); Diane Bailey of McLennan and Associates; Susan Lang of the City of Richmond ("City"); Les Newton of Planned Community Developers Ltd. ("PCD"); Greg Lentz of FirstSouthwest, a division of Hilltop Securities; 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 (moved downstairs from Suite 290 of the same building to allow for larger than usual attendance). 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. Galvan 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 District's consultants. He then explained that the Board would hear a limited number of public comments to ensure enough time for the Board to conduct the regular business of the District. He also stated that the Board will look into participating in another town hall meeting, perhaps in October, if at that time the District has more information to share with the District's residents

regarding the District's efforts to have the berm rebuilt, as well as other District efforts related to flood mitigation. He then opened the meeting to the public for questions and comments.

Mr. Harrigan then reported regarding a meeting held at the office of United States Congressman Pete Olson concerning the recent flooding of the Brazos River. He reported that the meeting was attended by himself, David Smith, Director Brady, Congressman Olson, Fort Bend County Judge Robert Hebert, Fort Bend County Engineer Richard Stolleis, Fort Bend County Drainage District Chief Engineer Mark Vogler, and other local government officials, including representatives of Fort Bend County Municipal Utility District No. 145 ("MUD 145"). He stated that Judge Hebert recommended that area stakeholders investigate the feasibility of creating a levee improvement district (a "LID") to protect the area from future flooding. In response to a question from Mr. Harrigan regarding levee district financing, Ms. McDonald explained that, for purposes of selling bonds, the combined projected tax rates of the District and the proposed LID could not exceed \$1.50 per \$100 of assessed value, a legal requirement enforced by the Texas Commission on Environmental Quality ("TCEQ").

Director Brady then stated that the Board does not wish to extend the maturities on its outstanding bonds but that, as always, the District's financial advisor is monitoring the market and will advise the Board of any refunding opportunities that will save the District money and assist the Board in keeping the tax rate down.

HIGH WATER EVENT

- a. Report on discussions had at meeting with US Congressman Pete Olson held on August 3, 2016;

Director Brady reported regarding the meeting and stated that, according to Judge Hebert, Fort Bend County has or was preparing to apply for financial assistance pursuant to federal disaster relief grant programs implemented by the Federal Emergency Management Agency ("FEMA") and the U.S. Department of Housing and Urban Development ("HUD"). He reported that, according to Judge Hebert, the FEMA grant is for the purpose of funding 75% of the costs to elevate affected homes out of the floodplain or finance voluntary buy-outs, and the HUD grant is for additional disaster relief funding, which could be used to fund the additional 25% of the costs to elevate homes. No action was necessary.

- b. Report on status of storm sewer drainage along northern boundary of District;

Mr. Dechert then reported that James King completed clearing the District's five drains located along the northern boundary of the District. Mr. Dechert also reported that he checked the LIDAR maps and confirmed that roughly 10 acres in the DRS development drain south into the District, which the District's drainage system was designed to handle. No action was necessary.

c. Report on installation of flap gates on District outfall structures;

Mr. Dechert then reviewed with the Board a preliminary cost estimate in the amount of \$61,000 for the installation of a flap-gate on the District's outfall running through the nature park and into the Brazos River. He explained that a flap-gate is designed to allow water to flow only one way (in this case the water would only flow out into the river and not from the river into the outfall). Discussion then ensued regarding maintenance of the flap-gate to ensure that it will not become clogged and fail to function. After discussion, Director Myers moved to authorize the District's engineer to design a flap-gate for the District's nature park outfall and then solicit bids, or, if necessary, advertise for the construction of the project. Director Coward seconded the motion, which passed unanimously.

Mr. Frank then reported that his office will investigate the feasibility of installing another flap-gate at the District's second outfall running under the railroad tracks.

d. Report on engineering work regarding feasibility of reconstructing an earthen embankment along or adjacent to the Brazos River to the west of Rio Vista;

Mr. Frank reported that his office ran some additional modeling and determined that the berm would have reduced the flooding in the District if it had not been removed. He noted that the modeling was performed using data from the theoretical 100-year flood, not data from the actual recent flooding event. He noted that modeling the actual event would be extremely time consuming and expensive and would not be cost-effective, especially considering that the actual event was very close to the theoretical 100-year river event. Mr. Frank next stated that he received permission from MUD 145 to survey the area where the berm had been before it was removed, and he stated that the surveying will be completed shortly. No action was necessary.

e. Report on regional efforts to address flooding in the District and greater Fort Bend County, if appropriate;

This item was tabled.

f. Report on upcoming information meeting with Texas Department of Transportation (“TxDOT”) regarding FM 359;

Ms. McDonald reported that she was invited to a meeting between TxDOT and area stakeholders for the purpose of discussing drainage along FM 359. The Board concurred that Ms. McDonald and Mr. Frank will represent the District at the meeting.

g. Report on the authority of the District to provide disaster relief such as funding disaster relief payments to residents for damage to their homes; and

In response to the President's request to investigate the District's authority to fund disaster relief efforts or make grants, Ms. McDonald then explained to the Board that the

District has only those powers granted to it by the Texas Constitution and other state law. She also explained that the Texas Constitution prohibits governments, including the District, from spending public funds for the benefit of private interests and that, therefore, the District has no legal authority to make grants to residents for disaster relief, including for the purpose of repairing homes or complying with floodplain regulations. She further explained that disaster relief under Texas law is primarily the responsibility of the State, counties and incorporated cities. After discussion, no action was necessary.

- h. Discuss list compiled by District Tax Assessor/Collector of homes possibly impacted by the last high water event and the County's effort to compile a similar list.

Mr. Cleveland reported that Mr. Arterburn made a list of the properties believed to have been flooded in the recent event but that the list was not definitive and was based on observations made while driving through the District a couple of days after the flood to note construction debris and water lines on the houses. He stated that he considered the list to be attorney work product prepared in contemplation of litigation between with the District and MUD 145 regarding the removal of the berm, and he requested that the Board not authorize release of the list to the public. He stated that the County is in the process of identifying all of the homes that were affected by the flood and that the County's list, once complete, will be the definitive list. Director Braswell moved that the District not release the list of homes to the public. Director Myers seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of its regular meeting on July 19, 2016. After discussion, Director Myers moved to approve the minutes of the July 19, 2016, regular meeting as amended. Director Coward seconded the motion, which passed unanimously.

ACTION LIST

The was no action list.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arterburn distributed and reviewed with the Board the Tax Assessor-Collector's Report for July 2016, a copy of which is attached hereto. He reported that as of July 31, 2016, the District's 2015 taxes were 99.19% collected. After discussion, Director Coward moved to approve the Tax Assessor/Collector's Report and payment of the bills. Director Braswell seconded the motion, and it passed unanimously.

TAX RATE

This item was taken out of order. Mr. Lentz next presented the tax rate recommendation for the District's 2016 taxes. He reported that the District's certified value (as of January 1, 2016) is approximately \$163,673,015, after factoring out the values of approximately 36 homes that were

flooded and using an average value of \$200,000 per home. He clarified that the Fort Bend Central Appraisal District has not removed or altered the values of the 36 homes; however, in contemplation of potential future valuation changes, he stated that he wanted to present the Board with a conservative picture of the District's value for purposes of discussing the 2016 tax rate. He then reported that the District's value represents a significant increase from the 2015 value of \$133,951,640. He recommended that the Board set the District's debt service tax rate at \$0.89, noting that the rate will provide sufficient revenues for the District's two anticipated bond issues in late 2016. He also recommended that the Board set the District's maintenance tax rate between \$0.33 and \$0.36 in order to produce the revenues contemplated by the District's budget for fiscal year 2016. Discussion then ensued regarding the debt service and maintenance tax rates. Mr. Lentz then recommended that the Board call a public hearing on the tax rate for the next meeting of the Board and authorize Mr. Arterburn to publish notice of the hearing. After further discussion, Director Myers moved (a) that the Board approve an anticipated debt service tax rate of \$0.89 and maintenance tax rate of \$0.36, for a total 2016 tax rate of \$1.25 per \$100 of valuation; (b) that the Board set the public hearing for September 20, 2016, at 12:00 p.m.; and (c) that the Board authorize Mr. Arterburn to publish notice as required by law. Director Braswell seconded the motion, which passed unanimously.

REAPPRAISAL

Mr. Cleveland reported that Fort Bend County requested the reappraisal of all properties in the County that were affected by the recent flooding. He then explained that the District could also participate in the reappraisal of such properties within the District's boundaries, and he explained the procedures and costs involved. Discussion then ensued regarding the reappraisal process and whether the District's participation would benefit or harm affected property owners in light of the fact that certain FEMA and County floodplain and insurance regulations are tied to property valuations (e.g., prohibition on rebuilding a home in the floodplain if repair costs will exceed 50% of home's value). After discussion, Director Braswell moved that the District not request a reappraisal of District properties. Director Coward seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY'S REPORT

There was no report from the Delinquent Tax Attorney.

BOOKKEEPER

Ms. Bailey then distributed and reviewed with the Board the Bookkeeper's Report from July 20, 2016, through August 16, 2016, and an Investment Report for July, copies of which are attached hereto. She reported a 17.09 month reserve in the District's operating account. After discussion, Director Coward moved to approve the Bookkeeper's Report, the Investment Report and the payment of the bills. Director Braswell seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Ms. Lang next presented the Operator's Report for July 2016, a copy of which is attached hereto. She reported 708 connections, 19 delinquent accounts and no identity thefts for July 2016. Ms. McDonald then presented a request from a Mr. Gaston, a District resident, for a payment plan for a high water bill he received due to a leak in his swimming pool. After discussion, Director Braswell moved to approve the Operator's report, authorize the operator to enter into a payment plan with Mr. Gaston and terminate service to those customers with delinquent accounts. Director Coward seconded the motion, which passed unanimously.

SURFACE WATER

Ms. Lang presented a handout regarding the progress of the surface water plant construction, a copy of which is attached hereto. Ms. Lang also reported that the City, in its capacity as administrator of the regional Groundwater Reduction Plan, is considering raising the surface water fee to \$2.10 later in 2016. No action was necessary.

GROUNDWATER FACILITIES

Ms. Lang had nothing new to report.

RECYCLING

Mr. Cleveland reported that a District resident emailed him in hopes of getting larger recycling containers. He stated that he informed the customer that the District contracts with the City for garbage and recycling collection services and that the City in turn contracts with Republic Services. Ms. Lang stated that the City is currently in negotiations with Republic Services and that larger recycling containers are being discussed. No action was necessary.

MAINTENANCE OF RECREATIONAL FACILITIES

- a. Report on work performed by Champions Hydrolawn;

Mr. Halbert presented and reviewed with the Board a copy of the Detention and Drainage Facilities Report dated August 16, 2016, a copy of which is attached hereto. He also stated that Champions could inspect the District's flap-gates to ensure they do not become clogged. No action was necessary.

- b. Report on work performed by James King Construction and consider proposal to repair the District's Nature Trail;

Mr. Dechert reported that the nature trail is completely covered with mud and debris. Discussion then ensued regarding whether to repair the nature trail. After discussion, Director Braswell moved not to repair the nature trail for the time being and to temporarily close the trail for the safety of the community and install signage noting the closure. Director Coward seconded the motion, which passed unanimously.

c. Report on work performed by Lake Management Services, L.P.:

Mr. Cleveland reported that the fountain at Lake No. 2 was repaired. No action was necessary.

d. Consider asking the Brazos River's Edge Community Association, Inc. ("BRECA") to look into whether District residents want the baseball field converted to a multi-age facility; and

Mr. Newton stated that the person requesting the field modifications (to convert the field to a multi-age facility) is a District resident and contractor who is insured and is offering to make the relatively minor modifications at no cost to the District. After discussion, Director Braswell moved to authorize BRECA to contract for the field modifications at a cost to the District not to exceed \$500. Director Coward seconded the motion, which passed unanimously.

e. Report on work performed by Brazos River's Edge Community Association, Inc.

Mr. Newton reported that Union Pacific Railroad has taken the position that it is not responsible for repairing damage it caused to Blaisdale Road. He stated that residents should contact the County about making the repairs as it is a County road. No action was necessary.

ENGINEER'S REPORT

Mr. Dechert then reviewed the Engineer's Report, a copy of which is attached hereto. He reported that he received a proposal from James King to visually inspect the storm sewer lines in River's Edge Sections 1 and 3 at a cost not to exceed \$2,500. After discussion, Director Coward moved to accept the proposal as presented. Director Brady seconded the motion, which passed unanimously.

AWBD

Mr. Cleveland then asked if the Board would like to authorize its directors to attend the AWBD Winter Conference. After discussion, Director Coward moved to authorize all directors to attend the AWBD Winter Conference and to authorize up to a maximum of three (3) per diems and reimbursement for up to two (2) hotel nights for attendance at the conference. The motion was seconded by Director Myers, which passed unanimously.

BOND ISSUE

Mr. Cleveland reported that the District's bond application was designated as administratively complete on July 17 by the TCEQ. No action was necessary.

DEVELOPER

Mr. Newton reported that David Weekly's homes sales are maintaining while Perry's home sales have slowed. Ms. McDonald then asked Mr. Frank for an update regarding his inspection of certain elevation certificates submitted by District residents. Mr. Frank reported that he received 13 such certificates and is in the process of reviewing them and ensuring that the appropriate benchmarks were used. Ms. McDonald stated that Mr. Frank is doing this review at no charge as a courtesy to residents and not on behalf of the District and that she thought the residents would like to know this. No action was necessary.

LEGAL UPDATE – EMBANKMENT REMOVAL

Ms. McDonald reported that potential claims related to the removal of the berm are still being researched by the District's attorneys and that she hopes to have a report for the September Board meeting. No action was necessary.

EXECUTIVE SESSION

The Board did not convene in executive session.

ADJOURNMENT

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



Andrea Myers
Secretary

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ACTION LIST

There was no action list.