

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Special Meeting of Board of Directors

January 23, 2018

The Board of Directors (the “Board”) of Fort Bend County Municipal Utility District No. 140 (the “District”) met in special session, open to the public, on January 23, 2018, at 6:00 p.m., at 2277 Plaza Drive, 1st Floor, 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	Secretary
Harry Murray	President
Janice Suchyta	Vice-President
John Braswell	Assistant Secretary
Gene Tomas	Assistant Vice-President

and all of said persons were present, except Director Brady, thus constituting a quorum.

Also present during all or part of the meeting were Ron Dechert and Greg Frank of Costello, Inc. (“Costello”); Mike Arterburn of Utility Tax Service, LLC (“Utility Tax”); Karen Sears of McLennan and Associates, L.P.; Susan Lang of the City of Richmond (“City”); Joel Cleveland and Olivia Galvan of Jeanne H. McDonald, P.C; and those persons listed on the sign-in sheet attached hereto.

PUBLIC COMMENTS

Director Murray then outlined the meeting agenda and asked that questions be held until the conclusion of the presentations by the District’s consultants. He further explained that the District’s Board needs to be able to assess the information being provided by its consultants, most of which they are hearing for the first time.

ENGINEER’S REPORT

Mr. Dechert presented the Engineer’s Report and Memorandum dated January 23, 2018, a copy of which is attached hereto.

a. Sinkhole:

Mr. Dechert reported that Crosstex Construction, Inc. completed the sinkhole repairs on the District’s outfall. He reported that Crosstex still needs to install the cul-de-sac fencing and that he expects the final pay estimate to be presented at the District’s next meeting. No action was necessary.

b. District's Rio Vista Berm:

Mr. Dechert reviewed that status of the project to reconstruct the District's Rio Vista Berm, reporting that the contractor, Solid Bridge Construction, LLC ("SBC"), is expected to complete the project in February 2018. He then presented and recommended approval of Pay Estimate No. 1 in the amount of \$66,237.75. Action was taken below.

c. District Berm:

Mr. Dechert reported that design plans were submitted to Fort Bend County Engineering, Fort Bend County Drainage District, and the City of Richmond for review and approval of the District berm to run from the northern boundary of the District to the Rio Vista Berm (the "North Berm Project"). Mr. Dechert also reported that the alignment of the project will be as far back from the river as feasible to minimize future land erosion issues. He also reported that upon the project's completion, the District's costs for implementing contingency measures for river flood events will decrease. No action was necessary.

Mr. Cleveland then reported that an outfall pipe will have to be included as a component of the project in order to provide for continued drainage of DRS road into the Brazos River. He then requested that the Board authorize him to prepare and negotiate an easement to include the outfall with the respective property owner. After discussion, Director Murray moved to authorize the District's attorney to prepare and negotiate the requested easement. Director Suchyta seconded the motion, which passed unanimously.

d. Southern Berm:

Mr. Dechert then reviewed the proposed improvements near the southern boundary of the District (the "South Berm Project") and reported that design plans are expected to be completed in February 2018. He then presented a preliminary cost estimate in the amount of \$545,341.50 for the construction of the South Berm Project. In response to questions from the Board, Mr. Dechert explained that the South Berm Project would mitigate overflow into the District's lake system from the oxbow south of the District. No action was necessary.

e. Emergency Contingency Plan:

Mr. Frank then reported that the Emergency Preparedness Committee met and identified flood mitigation contingencies for the Board's consideration. He then reviewed with the Board the contingencies identified by Costello that the District could implement to combat a river flood event. After discussion, this item was tabled pending a proposed workshop meeting to discuss project priority and financing.

h. Financing:

This item was taken out of order. Director Murray then provided an overview of the financial impact of the various flood mitigation projects and contingencies identified by

the Emergency Preparedness Committee. He reported that the construction costs for the North Berm Project are higher than initially estimated. He also reported that the contingency measures to mitigate flooding during a Brazos River flood event are estimated at a combined cost of \$1.5 million. He then reported on the enormity of the information presented and the need for the Board to consider all of the District's financing options regarding the various flood mitigation projects and contingencies identified by the Emergency Preparedness Committee. Director Murray then requested that the Board consider holding a special workshop meeting to discuss the District's financial options for current and future capital projects and implementation of emergency flood mitigation efforts. The Board then directed the District's attorney to coordinate the special meeting.

f. Erosion:

Mr. Dechert then reported on the status of the District's application for a bank stabilization grant from the United States Department of Agriculture, Natural Resources Conservation Service ("NRCS") to address erosion along the Brazos River. He reported that a site inspection was conducted by the NRCS in January and that Costello is working with the NRCS on the preparation of their Damage Survey Report. No action was necessary.

Mr. Cleveland then inquired if Costello has received a response from Fort Bend County regarding extending the County's erosion study to include that portion of the river adjacent to and immediately north of the District. Mr. Dechert reported that the County's study was underway and that it had not responded to their request.

g. Drainage Inlets:

Mr. Dechert then reported on Mr. King's visit with a District homeowner along the northern boundary of the District regarding the regrading of property by a District drainage inlet. He reported that after discussion with Mr. King the homeowner strongly objected to her yard being regraded. He then requested that the Board instead consider extending a storm sewer pipe and adding an inlet just north of the boundary line of DRS to address the existing drainage issue. In response to an inquiry from Director Tomas, Mr. Dechert stated that the proposed drainage solution would be less than \$10,000 to implement and would improve drainage along the northern boundary for both District residents and DRS residents. Action was taken below.

After discussion, Director Murray moved to approve the engineer's report; approve Pay Estimate No. 1 to SBC in the amount of \$66,237.75; and approve the extension of storm sewer pipe and addition of a drainage inlet just north of the boundary line of DRS. Director Braswell seconded the motion, which passed unanimously.

PUBLIC COMMENTS

The Board then opened the floor to public comments.

A resident then inquired about the location of the District's proposed Berm projects. In response, the District's engineers identified the District's proposed Berm projects on a map.

A resident then inquired about the necessity to fill an existing pond on the McCaslin property (the "McCaslin Pond") as part of the North Berm Project. In response, the District's engineers explained the erosion risk by the McCaslin Pond to the District's North Berm.

A resident then inquired about the impact of additional concrete along Highway 90A to the drainage and flooding issues within the District. In response, Mr. Frank stated that the road project along Highway 90A poses an insignificant impact to the District.

A resident then inquired about the involvement of DRS in mitigating flood risk. In response, Mr. Frank stated that DRS is not involved. Mr. Cleveland then explained that DRS is not a cohesive entity like the District but several individual property owners.

Director Murray then stated that the District's berm will not provide the same protection as a levee, but that the District's berm is a flood mitigation project that the District can implement within its financial means.

A resident then inquired about the design height of the District's berm. In response, Mr. Frank stated that the District's berm will be constructed to 100-year flood standards.

A resident then inquired regarding the conversion of the flood standard in relation to the river gauge. In response, Mr. Frank estimated that the river gauge would be greater than 54' in height.

A resident then inquired if the financial plan presented included a change in the District's tax rate. In response, Director Murray stated that no change in the tax rate or borrowing via bonds was used to calculate the financial plan presented.

A resident then inquired if the District was still considering lowering the tax rate. In response, Director Murray stated that there are too many variables regarding the District's finances to consider lowering the tax rate at this time.

A resident then commented that the proposed projects are points of growth for the proposed levee improvement district to build upon.

A resident then inquired regarding the District's knowledge on how much property owners have spent to rebuild in the District. In response, the Board said they do not have that figure.

ELECTION

Mr. Cleveland reported that two board positions are up for election in May 2018. He also noted that the Notice of Deadline to File Application for Place on the Ballot was posted at the District's posting location for meeting agendas. He stated that the deadline to submit an application for a place on the ballot is February 16, 2018, at 5:00 p.m. and the deadline to submit a declaration of write-in candidacy is February 20, 2018, at 5:00 p.m. No action was necessary.

ADOPT ORDER CALLING DIRECTORS ELECTION TO BE HELD ON MAY 5, 2018

Mr. Cleveland presented for the Board's consideration an Order Calling a Directors' Election to be held on May 5, 2018. Action was taken below.

APPROVE CONTRACT WITH FORT BEND COUNTY FOR ELECTION SERVICES

Mr. Cleveland reported that the District can contract with Fort Bend County (the "County") to hold a joint election on May 5, 2018, for the upcoming Directors' Election. Action was taken below.

APPOINT AN AGENT FOR THE DISTRICT IN CONNECTION WITH THE MAY 5, 2018, ELECTION

Mr. Cleveland then informed the Board that they may appoint an agent in connection with the May 5, 2018, Directors' Election to assist in administrative matters related to the election, and he suggested that they appoint Ms. Olivia Galvan as agent.

Director Murray moved to adopt the Order Calling a Directors' Election to be held on May 5, 2018; approve the contract with the County to hold a joint election on May 5, 2018, for the upcoming Directors' Election; and appoint Olivia Galvan as Election Agent for the District's Directors' Election to be held on May 5, 2018. Director Suchyta seconded the motion, which passed unanimously.

MINUTES

The Board next considered approving the minutes of its regular meeting held on November 14, 2017. After discussion, Director Suchyta moved to approve the minutes of the November 14, 2017, regular meeting as presented. Director Tomas seconded the motion, which passed unanimously.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arterburn distributed and reviewed with the Board the Tax Assessor-Collector's Report for November and December 2017, copies of which are attached hereto. He reported that as of December 31, 2017, the District's 2016 taxes were 99.85% collected and the District's 2017 taxes were 74.66% collected. Action was taken below.

Mr. Arterburn then reported that the Fort Bend Central Appraisal District ("FBCAD") has announced that new values for disaster impacted properties will be released soon. He then reported on the deadline for impacted property owners to contest the new values. Mr. Arterburn then

inquired whether the District would like to request an estimate of value from FBCAD in connection with the District's financial workshop and stated that the cost to procure an estimate of value would be \$350.00. Action was taken below.

After discussion, Director Murray moved to approve the Tax Assessor/Collector's Reports, payment of the bills, and authorize the Tax Assessor/Collector to request an estimate of value from FBCAD in the amount of \$350.00. Director Suchyta seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

There was no report.

TAX RESOLUTIONS

(a) Adopt a Resolution Concerning Tax Collection Procedures;

Mr. Cleveland then presented for the Board's consideration the Resolution Concerning Tax Collection Procedures. He stated that the resolution is consistent with the previous years' resolution, which authorized sending all bills, did not allow split payments, and did not give a discount for early payment of taxes. Action was taken below.

(b) Adopt a Resolution Concerning Exemptions from Taxation;

Next, Mr. Cleveland presented the Resolution Concerning Exemptions from Taxation. He stated that the resolution is consistent with the previous years' resolution, which did not grant a general residential homestead exemption but did adopt a \$5,000 exemption of the appraised value of residence homesteads of those individuals under Federal Old-Age, Survivors, and Disability Insurance or who are sixty-five (65) years of age or older. Action was taken below.

Mr. Arterburn then commented that property owners need to apply for the exemption with the County.

(c) Adopt a Resolution Levying an Additional 20% Penalty for Personal Property Tax Collection Costs; and

Mr. Cleveland then presented for the Board's consideration the Resolution Levying an Additional 20% Penalty for Personal Property Tax Collection Costs. He stated that the resolution is also consistent with the previous years' resolution, which provided for an additional twenty percent (20%) penalty to attach to delinquent personal property taxes and the collection of such taxes beginning on April 1. Action was taken below.

- (d) Approve a contract with Delinquent Tax Attorney, if needed, and Adopt a Resolution Providing for Additional Penalty for Property Tax Collection Costs.

Mr. Cleveland then presented for the Board's consideration the Resolution Providing for Additional Penalty for Property Tax Collection Costs. He stated that the resolution is consistent with the previous years' resolution, which provided for an additional twenty percent (20%) penalty to attach to those accounts with property taxes remaining delinquent on July 1. He stated that the additional penalty pays the cost of collection of such delinquent taxes. He stated that the District has an evergreen contract with Perdue, Brandon, Fielder, Collins, & Mott, LLP. Action was taken below.

After discussion, Director Suchyta moved to adopt the Resolution Concerning Tax Collection Procedures, the Resolution Concerning Exemptions from Taxation, the Resolution Levying an Additional 20% Penalty for Personal Property Tax Collection Costs, and the Resolution Providing for Additional Penalty for Property Tax Collection Costs, as presented. Director Murray seconded the motion, which passed unanimously.

SECONDARY DISCLOSURE

Mr. Cleveland reported that it is time for the District to complete the annual update of its financial and operating information ("Annual Report"), as the District covenanted to do when it sold bonds. He then presented the 2017 Annual Report and requested that the Board approve such report and authorize its filing with the Municipal Securities Rulemaking Board, via its online Electronic Municipal Market Access system. Director Suchyta moved to approve the 2017 Annual Report and the filing of same. Director Tomas seconded the motion, which passed unanimously.

BOOKKEEPER

Ms. Sears distributed and reviewed with the Board the Bookkeeper's Report from November 15, 2017, through January 23, 2018, and Investment Reports for November and December, copies of which are attached hereto. She reported a 16.06-month reserve in the District's operating account. After discussion, Director Suchyta moved to approve the Bookkeeper's Report, the Investment Report, and the payment of the bills. Director Tomas seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Ms. Lang presented the Operator's Reports for November and December, copies of which are attached. She reported 799 connections, 5 delinquent accounts, and no identify thefts for December 2017. Ms. Lang then inquired about the District terminating service to delinquent accounts and inquired if the District wished to consider authorizing payment plans for customers whose accounts are delinquent. After discussion, Director Braswell moved to approve the Operator's Report, terminate service to those customers with delinquent accounts, and authorize three (3) month payment plans upon request by customers whose accounts are delinquent. Director Suchyta seconded the motion, which passed unanimously.

Director Suchyta then inquired about the repainting of hydrants within the District. In response, Mr. Dechert speculated that the repainting may be due to the method of identifying the line size of hydrants within the District.

A resident then inquired regarding a statement on the District's water bills. Ms. Lang then stated that the conservation statement is provided as a reminder to customers to conserve water during the first quarter of the year and explained that customer sewer rates are determined by the winter water consumption average during the months of January, February and March.

MAINTENANCE OF RECREATIONAL FACILITIES

- a. Report on work performed by Champions Hydrolawn;

The Detention and Drainage Facilities Report from Champions dated January 2018 was presented, a copy of which is attached hereto. Mr. Cleveland reported that the new signs regarding the nature park closure were posted. No action was taken.

- b. Report on work performed by James King Construction;

There was no report.

- c. Report on work performed by Lake Management Services, L.P.; and

There was no report.

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

There was no report.

ARBITRAGE SERVICES

Mr. Cleveland presented the Tenth Year Rebate Report on the District's \$4,500,000 Unlimited Tax Bonds Series 2007A from Arbitrage Compliance Specialists ("ACS") and explained that the District has no arbitrage liability at this time. He then presented an engagement letter for the Board's consideration from ACS for enrollment of the District's \$3,210,000 Unlimited Tax Refunding Bonds, Series 2017, in the Bond Management Compliance Program at an initial cost of \$450.00 and \$110.00 annually. He then presented an engagement letter for the Board's consideration from ACS for the preparation of the final arbitrage rebate calculations report regarding the District's \$4,500,000 Unlimited Tax Bonds Series 2007A at a cost of \$950.00. Director Braswell moved to approve the Tenth Year Rebate Report on the District's \$4,500,000 Unlimited Tax Bonds Series 2007A; approve the engagement letter with ACS for enrollment of the District's \$3,210,000 Unlimited Tax Refunding Bonds, Series 2017, in the Bond Management Compliance Program; and approve the engagement letter with ACS for the preparation of the final

rebate calculations report regarding the District's \$4,500,000 Unlimited Tax Bonds Series 2007A. Director Murray seconded the motion, which passed unanimously.

ACTION LIST

The Board then reviewed the action list.

ADJOURNMENT

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



Assistant Secretary



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Meeting Sign-in Sheet	1
Engineer's Report and Memorandum	1
Tax Assessor/Collector Report	5
Bookkeeper's Report/Investment Reports	7
Operator's Report.....	7
Champions Report	8

ACTION LIST

DIRECTORS

Director Murray will obtain additional baseball field proposals.

COMMITTEES

Communications Committee

Communications Committee will commence review of web design proposals and make a recommendation to the Board.

ENGINEER

Costello will follow up on the District's request of an NRCS bank stabilization grant.