

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

August 21, 2018

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 21, 2018, at 6:00 p.m., at Joy Lutheran Church, 717 FM 359, Richmond, Fort Bend County, Texas 77406, 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:

Janice Suchyta	President
Gene Tomas	Vice President
David Smith	Assistant Vice President
Suzan Orr	Secretary
Barry Waites	

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

Also present during all or part of the meeting were Ron Dechert of Costello, Inc. (“Costello”); Greg Lentz of Masterson Advisors LLC (“Masterson”); Mike Arterburn of Utility Tax Service, LLC (“Utility Tax”); Jorge Diaz of McLennan and Associates, L.P.; Susan Lang, Howard Christian, Gary Smith, Howard Christian, and Terri Vela of the City of Richmond (“City”); Jeanne H. McDonald, Joel Cleveland, and Olivia Galvan of Jeanne H. McDonald, P.C; and those persons listed on the sign-in sheet attached hereto.

PUBLIC COMMENTS

The meeting was opened for public comments. Ed Harrigan stated that a Town Hall meeting regarding proposed Levee Improvement District No. 22 is scheduled for September, 13, 2018, at 7:00 p.m. at Pecan Grove Baptist Church.

LID 22

Mr. Cleveland then reported on the proposed partnership with Fort Bend County Levee Improvement District No. 7 (“LID 7”) and Fort Bend County Municipal Utility District No. 145 (“FB 145”) regarding the creation Fort Bend County Levee Improvement District No. 22 (“LID 22”). He reported that LID 7 is holding a special meeting to consider proceeding with the engineering study in connection with the creation of LID 22, subject to the participation of FB 145 and the District and their agreeing to pay their pro-rata shares of the study. Mr. Cleveland stated that the pro-rata shares will be the subject of the proposed partnership agreement between the

participants. Discussion then ensued regarding the procedure for and obstacles to successful creation of LID 22. After discussion, no action was necessary.

ENGINEER'S REPORT

This item was taken out of order. Mr. Dechert presented the Engineer's Report dated August 21, 2018, a copy of which is attached hereto.

a. Sluice Gate:

Mr. Dechert reported that Pecan Grove Municipal Utility District ("Pecan Grove") rejected the District's request to install a flap gate on Pecan Grove's outfall at FM 359 and Jones Creek. He stated that the request was presented by Justin Ring, engineer for Pecan Grove. He stated that, reportedly, Pecan Grove has concerns regarding maintenance and operational issues that could arise if the flap gate is owned by another entity. Mr. Cleveland stated that ownership and operational concerns could be worked out by agreement if Pecan Grove is willing. After discussion, the Board concurred that the District's attorneys will attempt to coordinate a presentation to the Board of Directors of Pecan Grove to better explain the project and solicit the Board's cooperation.

b. Drainage Improvements:

Mr. Cleveland then reported that his office has not received any response from the property owners of the vacant DRS lot directly behind Director Smith's property (the "DRS owners"). Mr. Cleveland then inquired how the Board wished to proceed on the matter. In response, Director Smith stated that he will attempt contact the DRS owners personally to discuss regrading the rear of their property.

c. Emergency Flood Mitigation:

Mr. Dechert then reported that he is following-up with FB 145's operator, Municipal Operations, to inquire whether they may be willing to enter a stand-by contract for installation of emergency materials in the event of a predicted emergency flooding event. No action was taken.

d. NRCS Grant:

Mr. Cleveland stated that the District's request to the Natural Resources Conservation Service ("NRCS") to allow the District to negotiate a design/build contract with ER-Con Technologies, LLC on a sole source procurement basis is still being reviewed. He also stated that the NRCS has not yet sent the proposed Project Agreement. Mr. Cleveland stated that he will notify the Board upon receipt of any update regarding the status of the District's sole source procurement request.

DEVELOPMENT

Mr. Cleveland then introduced Mr. Insukba Lyons of SIBS International, Inc. Mr. Lyons introduced himself to the Board and announced his firm's intentions to develop an approximately 18-acre tract within the District. He stated that the development will consist of single-family homes and that he would like to make a more formal presentation to the Board at its September meeting. The Board concurred to include an item on its September meeting agenda regarding the presentation.

Mr. Cleveland then reported that Houston River's Edge Venture, L.P. offered to convey a 0.5244-acre strip of land to the District adjacent to River's Edge Section 6. Mr. Dechert reported that the property would be useful to the District for future levee protection. In response to a question from the Board, Mr. Dechert stated that the preparation of metes and bounds descriptions for the deed would cost the District about \$600.00. After discussion, Director Suchyta moved to approve and accept the deed conveying to the District the 0.5244-acre tract of land as described and request that the land be added to the District's maintenance schedule with Champions. Director Tomas seconded the motion, which passed unanimously.

DISTRICT BERM PROJECTS

a. Report:

Mr. Cleveland reported that the condemnation proceedings for the acquisition of the easements to construct the DRS Berm are ongoing and that, therefore, the District does not have the legal right to enter the DRS properties to begin construction of the berm. He then recommended that the Board reject all bids for the construction of the berm as the contractors only agreed to hold their bids for 90 days, which is not enough time to obtain the property rights. After discussion, Director Orr moved to reject all bids for the construction of the District's DRS berm. Director Smith seconded the motion, which passed unanimously.

Director Smith then inquired regarding the status of the District's Rio Vista Berm. In response, Mr. Dechert stated that the Rio Vista Berm is in good condition and reported no issues. Director Orr then inquired regarding a line item in the District's budget regarding the Rio Vista Berm. In response, Mr. Cleveland stated that the line item is for maintenance costs associated with the Rio Vista Berm, as described in the District's agreement with FB 145.

b. Condemnation:

This item was tabled pending discussion in Executive Session.

BOND ISSUE

- a. Receive update on the District’s Bond Application;

Mr. Cleveland reported that the Texas Commission on Environmental Quality (“TCEQ”) has approved the District’s application for the issuance of bonds.

- b. Consider and approve the Official Notice of Sale and the Preliminary Official Statement for the District’s \$5,670,000 Unlimited Tax Bonds, Series 2018, and authorize distribution of same;

Mr. Lentz then presented and reviewed with the Board the draft Official Notice of Sale and the draft Preliminary Official Statement. Action was taken below.

- c. Designate a date, time and place for the sale of the District’s \$5,670,000 Unlimited Tax Bonds, Series 2018 and authorize advertisement for sale of same;

Mr. Lentz suggested that the Board designate the sale of the District’s \$5,670,000 Unlimited Tax Bonds, Series 2018 for the Board’s next meeting on September 18, 2018, at 6:00 p.m. at Joy Lutheran Church located at 717 FM 359, Richmond, Texas 77406. Action was taken below.

- d. Receive and discuss Financial Advisor’s MSRB G-42 Risk Disclosure; and

Mr. Lentz reviewed with the Board Masterson’s regulatory disclosures as required by Rule G-42 of the Municipal Securities Rulemaking Board, including, but not limited to, the material risks associated with issuing municipal securities. He stated that no Board action is necessary related to the disclosures.

- e. Authorize other appropriate action.

No additional action was necessary.

After discussion, Director Waites moved to approve the Official Notice of Sale and the Preliminary Official Statement for the District’s \$5,670,000 Unlimited Tax Bonds, Series 2018, subject to attorney and consultant review, and authorize distribution of same; and designate the sale of the District’s \$5,670,000 Unlimited Tax Bonds, Series 2018 for September 18, 2018, at 6:00 p.m. at Joy Lutheran Church located at 717 FM 359, Richmond, Texas 77406. Director Smith seconded the motion, which passed unanimously.

TAX RATE

Mr. Lentz next presented his tax rate recommendation for the District’s 2018 taxes based, in part, on the District’s 2018 Taxable Assessed Valuation as proved by the Fort Bend Central Appraisal District of \$184,566,503 (consisting of \$183,579,410 of certified value and 90% of uncertified value in the amount of \$1,096,770). He then recommended that the Board set the District’s debt service tax

rate at \$0.95 to provide sufficient collections to make the District's future bond payments, including the bonds currently in the process of issuance. He then reviewed with the Board possible maintenance tax rates, noting that a rate of \$0.26 would result in the revenue necessary to produce the District's proposed budget for fiscal year 2019 and that a rate of \$0.30 would result in a total tax rate of \$1.25, the same tax rate the District levied in 2017, also being a lower rate than the parity tax rate of \$1.3923. Discussion then ensued regarding the proper maintenance tax rate, with consideration given to ongoing and future capital projects and potential changes in the District's valuation. After discussion, Director Smith moved (a) that the Board approve an anticipated debt service tax rate of \$0.95 and maintenance tax rate of \$0.30, for a total 2018 tax rate of \$1.25 per \$100 of valuation; (b) that the Board set the public hearing for September 18, 2018, at 6:00 p.m. at Joy Lutheran Church located at 717 FM 359, Richmond, Texas 77406; and (c) that the Board authorize the tax assessor-collector to publish notice as required by law. Director Waites seconded the motion, which passed unanimously.

EXECUTIVE SESSION TO DISCUSS: (A) PENDING OR CONTEMPLATED LITIGATION IN ACCORDANCE WITH SECTION 551.071 OF THE TEXAS GOVERNMENT CODE; (B) ACQUISITION OF REAL PROPERTY IN ACCORDANCE WITH SECTION 551.072 OF THE TEXAS GOVERNMENT CODE; (C) PERSONNEL MATTERS IN ACCORDANCE WITH SECTION 551.074 OF THE TEXAS GOVERNMENT CODE; (D) TO RECEIVE INFORMATION FROM EMPLOYEES OR QUESTION EMPLOYEES IN ACCORDANCE WITH SECTION 551.075 OF THE TEXAS GOVERNMENT CODE; OR (E) ECONOMIC DEVELOPMENT NEGOTIATIONS OR OFFERS OF FINANCIAL INCENTIVES FOR ECONOMIC DEVELOPMENT IN ACCORDANCE WITH SECTION 551.087 OF THE TEXAS GOVERNMENT CODE.

The Board convened into Executive Session at 6:59 p.m. pursuant to Section 551.071 and Section 551.072 of the Texas Government Code to discuss anticipated litigation and acquisition of real property.

RECONVENE IN OPEN SESSION: RECONVENE IN PUBLIC SESSION TO CONSIDER AUTHORIZING DISTRICT STAFF AND CONSULTANTS TO TAKE ANY ACTION NECESSARY WITH RESPECT TO (A) PENDING OR CONTEMPLATED LITIGATION; (B) ACQUISITION OF REAL PROPERTY; (C) PERSONNEL MATTERS; AND (D) RECEIVING INFORMATION FROM OR QUESTIONING EMPLOYEES; (E) ECONOMIC DEVELOPMENT NEGOTIATIONS OR OFFERS OF FINANCIAL INCENTIVES; AND (F) ANY OTHER MATTERS RELATIVE TO ANY OF THESE MATTERS WHICH WAS RECONVENE IN OPEN SESSION.

The Board then reconvened into open session at 7:31 p.m. No action was taken.

WATER CHARGES

This item was taken out of order. Mr. Cleveland stated that representatives of the City were present, including Ms. Terri Vela, City Manager, and Mr. Gary Smith, City Attorney, and that they, along with Ms. Lang, will present proposed new water supply fees to be charged to the District pursuant to the District's Amended and Restated Water Supply and Wastewater Services Contract Between the City and the District (the "Contract"). Ms. Lang then presented and

reviewed the calculations and summary of the City's proposed water supply fees. She also provided a sample Operator's report reflecting application of the new fees and demonstrating the District's savings. Ms. McDonald then provided historical knowledge to the Board regarding the Contract and explained the conflicting conclusions reached by the District's attorneys and City staff regarding the method by which the District's new water rates should be calculated. In response to Ms. McDonald's statement, Ms. Vela explained that the City's proposed water supply fees address the benefits the District receives by being incorporated into the City's entire water system, as opposed to being served only by the Edgar Water Plant. In response to Ms. Vela's statement, Ms. McDonald reiterated that the Contract calls for the water rate to be calculated with regard to the costs to produce water from the Edgar Water Plant, not the City system. Discussion ensued regarding the proposed rates as presented. Director Orr then asked that the District receive a refund or a credit for the additional fees it has paid for water supply services from the time that the Edgar Water Plant went online, which, pursuant to the Contract, is when the new fees were to commence. Ms. Vela stated that she could not provide a response without presenting the request to the City Commissioners. Further discussion was tabled pending executive session.

OPERATOR

This item was taken out of order. Ms. Lang presented the Operator's Report for July, a copy of which is attached hereto. She reported 840 connections, 26 delinquent accounts, and no identify thefts for July 2018. Director Waites then inquired regarding a change in the method in which aged receivables are reported to the Board. In response, Ms. Lang stated that she would investigate the ability to present aged receivables with her staff and distribute an updated aged receivables report to the Board. Director Waites then inquired about the large delinquency accrued by Ms. Carolyn P. Bush and the status of the account. In response, Ms. Lang explained that the account has not been reconnected and reported on the enforcement action for theft of water taken on behalf of the District. After discussion, Director Waites moved to approve the Operator's report, and terminate service to those customers with delinquent accounts. Director Smith seconded the motion, which passed unanimously.

MINUTES

The Board next considered approving the minutes of its regular meeting held on July 24, 2018, and special meeting held August 3, 2018. After discussion, Director Orr moved to approve the minutes of the July 24, 2018, regular meeting and August 3, 2018, special meeting as presented. Director Suchyta 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 July 2018, a copy of which is attached hereto. He reported that as of July 31, 2018, the District's 2017 taxes were 99.07% collected. After discussion, Director Waites moved to approve the Tax Assessor/Collector's Report, and payment of the bills. Director Smith seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

There was no report.

BOOKKEEPER'S REPORT

Mr. Diaz distributed and reviewed with the Board the Bookkeeper's Report from July 25, 2018, through August 21, 2018, and Investment Report for July, copies of which are attached hereto. He reported a 14.35-month reserve in the District's operating account. After discussion, Director Waites moved to approve the Bookkeeper's Report, the Investment Report, and the payment of the bills. Director Suchyta seconded the motion, which passed unanimously.

BUDGET

Director Waites then presented the Budget Committee's proposed amendments to the District budget for fiscal year ending July 31, 2019. Discussion ensued regarding the proposed amendments. After discussion, Director Smith moved to adopt an amended operating budget for fiscal year ending July 31, 2019 to include the changes recommended by the Budget Committee. Director Orr 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. Mr. Cleveland stated that districts typically approve reimbursement for up to two hotel nights and three per diems for attendance at the conference. The Board then discussed whether it was necessary to set a specific number of hotel nights and per diems or whether directors should be able to exercise their own good judgement. After discussion, Director Orr moved to authorize all directors to attend the AWBD Winter Conference. Director Suchyta seconded the motion, which passed unanimously. No specific limit on reimbursement for hotel nights or per diems was set.

RATE ORDER

Mr. Cleveland then asked the Board if it would like to consider amending the District's Rate Order to include language that would allow the District to elect not to connect, or if necessary disconnect, water service to new residential or commercial development that is not in compliance with the requirements of all governmental entities as such requirements relate to water, sewer, or drainage issues affecting the District. Discussion then ensued regarding drainage issues related to home construction on sites that have been significantly elevated out of the flood plain. After discussion, Director Orr moved to amend the District's Rate Order to include the language as described by Mr. Cleveland and to send letters to homebuilders within the District notifying them of the change. Director Smith seconded the motion, which passed unanimously.

MAINTENANCE OF RECREATIONAL FACILITIES

- a. Report on work performed by Champions Hydrolawn;

Mr. Cleveland distributed the Detention and Drainage Facilities Report from Champions dated August 14, 2018, a copy of which is attached hereto.

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

There was no report.

- c. Report on work performed by Brazos River’s Edge Community Association, Inc.

Discussion ensued regarding whether there is still a water leak adjacent to the Party Barn. Ms. Marsters stated that she will look into the matter and will follow-up with BRECA’s irrigation consultant. No action was necessary.

WEBSITE

Mr. Cleveland inquired whether the Board has any comments regarding the website that he can relay to Shannon Waugh. Director Smith then asked that notice of the town hall meeting regarding LID 22 be posted on the website.

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The Board convened into Executive Session at 9:10 p.m. pursuant to Section 551.071 of the Texas Government Code to discuss anticipated litigation.

RECONVENE IN OPEN SESSION: RECONVENE IN PUBLIC SESSION TO CONSIDER AUTHORIZING DISTRICT STAFF AND CONSULTANTS TO TAKE ANY ACTION NECESSARY WITH RESPECT TO (A) PENDING OR CONTEMPLATED LITIGATION; (B) ACQUISITION OF REAL PROPERTY; (C) PERSONNEL MATTERS; AND (D) RECEIVING INFORMATION FROM OR QUESTIONING EMPLOYEES; (E) ECONOMIC DEVELOPMENT NEGOTIATIONS OR OFFERS OF FINANCIAL INCENTIVES; AND (F)

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ACTION LIST

DIRECTOR

Director Smith will attempt to contact the DRS owners personally to discuss regrading the rear of their property.

ATTORNEY

Ms. Galvan will obtain requests for proposals in connection with the District's garbage services.

Mr. Cleveland will attempt to coordinate a presentation to the Board of Directors of Pecan Grove regarding the proposed improvements to the outfall at FM359 and Jones Creek.

Ms. Galvan will notify Champions of Board request to include 0.5244-acre tract of land to the District's maintenance schedule.

Mr. Cleveland will send letters to homebuilders within the District notifying them of the amendment to the District's Rate Order.

Ms. Galvan will notify Off Cinco of Board request to post notice of a town hall meeting regarding LID 22.

Mr. Cleveland will notify the City of Richmond of Board request a site tour of the Edgar Water Plant.

COMMITTEES

Director Appointment Committee

Director Appointment Committee will revisit applicant submissions for upcoming director position vacancy; conduct interviews, if applicable; and make a recommendation to the Board at the October meeting.

NRCS GRANT ACTION LIST

ATTORNEY

Mr. Cleveland will request proposals from consultants specializing in NRCS Grant administration and compliance.

Mr. Cleveland will follow up with the NRCS on the status of the District's sole source procurement request.