

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

September 18, 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 September 18, 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, except Director Waites thus constituting a quorum.

Also present during all or part of the meeting were Insukba Lyons of SIBS International, Inc.; Ron Dechert and Stephen Wilcox of Costello, Inc. ("Costello"); Greg Lentz of Masterson Advisors LLC ("Masterson"); JoAnn Ramos of Utility Tax Service, LLC ("Utility Tax"); Jorge Diaz 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

The meeting was opened for public comments.

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 decided not to pursue the regional levee project or participate in the feasibility study associated with the project at this time. Discussion then ensued regarding the procedure for and obstacles to successful creation of LID 22. In response, Mr. Wilcox requested that the Board consider pursuing a grant through the Federal Emergency Management Agency's Hazard Mitigation Grant Program ("HMGP"), managed by the Texas Department of Emergency Management, to fund alternative flood mitigation options. He then reviewed the funding obligations of HMGP grant recipients. The Board then requested that Costello contract with a grant writing consultant with experience with HMGP at a cost not to exceed \$5,000. After discussion, Director Orr moved to authorize the engineer to submit an application for HMGP

funding and engage a grant writing consultant at a cost not to exceed \$5,000. Director Suchyta seconded the motion, which passed unanimously.

Director Smith then commented that area stakeholders in pursuit of the creation of LID 22 will be pursuing discussions with LID 7 regarding a regional solution.

ENGINEER'S REPORT

This item was taken out of order. Mr. Dechert presented the Engineer's Report dated September 18, 2018, a copy of which is attached hereto.

a. Flap 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. Mr. Cleveland stated he spoke with the attorney for Pecan Grove and that the District's request to install a flap gate will be reconsidered at Pecan Grove's next board meeting, which he and Mr. Dechert will attend. No action was necessary.

b. Drainage Improvements:

Director Smith stated that he has not been able to contact the DRS owners personally but will keep trying. Mr. Cleveland then inquired if the District wished to continue to have this item on the agenda. The Board concurred to remove this item until further notice.

c. Emergency Flood Mitigation:

Mr. Dechert then reported that Municipal Operations, FB 145's operator, will not be pursuing a stand-by contract for installation of emergency materials. Discussion ensued regarding the obstacles with obtaining an operator.

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 continues to be under review. He also reported that the District has not received a proposed Project Agreement. He stated that he will continue to follow up.

DEVELOPMENT

Mr. Cleveland then introduced Mr. Insukba Lyons of SIBS International, Inc. Mr. Lyons introduced his team to the Board and proceeded to make a presentation regarding his firm's future

development within the District. Mr. Lyons then took questions and comments from the Board and the public.

The Board next considered entering into a Developer Financing Agreement by and between the District and SIBS International, Inc. (“SIBS”), relative to the advancement of funds to the District for the construction of public utilities necessary to serve new development in the District. Mr. Cleveland reviewed the purpose of a Developer Financing Agreement with the Board. He also stated that Mr. Lyons is aware of the District’s current projects and that reimbursement in connection with the advancement of funds to the District may be several years away and is contingent upon several factors, including District finances and rules of the Texas Commission on Environmental Quality. After discussion, Director Tomas moved to authorize the District’s attorney to draft a Developer Financing Agreement by and between the District and SIBS for consideration at the Board’s October meeting. Director Smith seconded the motion, which passed unanimously.

DISTRICT BERM PROJECTS

a. Report:

Mr. Cleveland reported that he met with Matt Breeding, the District’s condemnation attorney, regarding the District’s condemnation proceedings. He then inquired whether the Board wished to hold a special meeting to discuss the District’s condemnation proceedings with Mr. Breeding. The Board concurred to authorize Mr. Cleveland to coordinate a special meeting in early October.

b. Condemnation:

This item was tabled.

PUBLIC HEARING ON 2018 TAXES

Mr. Cleveland opened the public hearing for comments. A member of the public commented that he was happy the tax rate is not increasing. There were no additional public comments, and the hearing was closed.

LEVY 2018 TAXES

Next, Mr. Cleveland stated that the Board needed to consider levying the District’s 2018 tax rates. He reminded the Board that it approved publishing notice of a combined tax rate of \$1.25 per \$100 of assessed value, consisting of proposed rates of \$0.95 for debt service and \$0.30 for maintenance and operations, at its meeting on August 21, 2018. Mr. Lentz then presented his amended tax rate recommendation for the District’s 2018 taxes based, in part, on the interest rate the District was able to obtain on its Series 2018 Unlimited Tax Bonds. He recommended that the Board set the District’s total tax rate at \$1.25 (i.e., \$0.94 debt service tax and \$0.31 maintenance tax), being the same total tax rate the District levied in 2017. Mr. Cleveland then presented for the Board’s consideration the Order Levying Taxes for 2018 for a total rate of \$1.25 per \$100 of

assessed value. He then presented an Amended District Information Form for the Board's consideration. Discussion ensued regarding Mr. Lentz's amended tax rate recommendation of establishing a debt service tax rate of \$0.94 and a maintenance tax rate of \$0.31. After discussion, Director Orr moved to adopt the Order Levying Taxes as amended; to provide for a total combined tax rate of \$1.25 per \$100 of assessed value, with a rate of \$0.94 for debt service and \$0.31 for maintenance and operations and to approve and authorize recordation of the Amended District Information Form. Director Smith seconded the motion, which passed unanimously.

2018 BOND ISSUE

Mr. Lentz informed the Board that Standard & Poor's Ratings Services assigned the District's \$5,670,000 Unlimited Tax Bonds, Series 2018 ("Series 2018 Bonds") an insured rating of "AA," with an underlying rating of "BBB." He stated that the District will pay Standard & Poor's fee for the ratings, but the underwriter will pay the premium on the bond insurance obtained from Build America Mutual Assurance Company.

- a. Receive and review bids for the sale of the District's Series 2018 Bonds in the amount of \$5,670,000;

Next, Mr. Lentz reviewed with the Board the three bids received for the Series 2018 Bonds, which are summarized as follows: (1) Robert W. Baird & Co., Inc., with a net effective interest rate of 3.722698%; (2) RBC Capital Markets, with a net effective interest rate of 3.786878%; and (3) George K. Baum & Co., with a net effective interest rate of 4.025164%. A copy of the bid comparison is attached hereto. Mr. Lentz also presented a pricing book in connection with the District's sale of bonds, a copy of which is attached hereto.

- b. Award sale of the District's Series 2018 Bonds in the amount of \$5,670,000;

Mr. Lentz then recommended that the Board award the Series 2018 Bonds to Robert W. Baird & Co., Inc., as the bidder with the lowest net effective interest rate. After discussion, Director Smith moved to award sale of the Series 2018 Bonds to Robert W. Baird & Co., Inc., with a net effective interest rate of 3.722698%. Director Orr seconded the motion, which passed unanimously.

- c. Adopt an Order Authorizing Issuance of the District's Series 2018 Bonds in the amount of \$5,670,000;

Next, Mr. Cleveland presented and reviewed with the Board the Bond Order, explaining that it is the District's contract with its bondholders. After discussion, Director Orr moved to adopt the Order Authorizing the Issuance of \$5,670,000 Fort Bend County Municipal Utility District No. 140 Unlimited Tax Bonds, Series 2018. Director Smith seconded the motion, which passed unanimously.

d. Approve and authorize execution of the Paying Agent/Registrar Agreement;

Mr. Cleveland then presented the proposed agreement with The Bank of New York Mellon Trust Company, N.A. (“BONY”) to serve as the District’s paying agent/registrars with respect to the Series 2018 Bonds. Director Orr moved to approve the paying agent/registrars agreement with BONY. Director Smith seconded the motion, which passed unanimously.

e. Approve and authorize execution of the Escrow Agreement;

Mr. Cleveland then presented the proposed agreement with Compass Bank to serve as the District’s escrow agent with respect to the Series 2018 Bonds. Director Tomas moved to approve the escrow agreement with Compass Bank. Director Smith seconded the motion, which passed unanimously.

f. Approve and authorize distribution of the Official Statement for the District's Series 2018 Bonds;

Next, Mr. Lentz reviewed the proposed Official Statement with the Board. After Discussion, Director Smith moved to approve and authorize distribution of the Official Statement. Director Suchyta seconded the motion, which passed unanimously.

g. Authorize the officers of the Board to sign all documents relating to the issuance of the District's Series 2018 Bonds;

Mr. Cleveland then explained that there are numerous documents that must be signed in conjunction with the Bonds and that the officers of the Board will need to be authorized to sign those documents on behalf of the District. Director Suchyta moved to authorize the officers of the Board to sign all documents relating to the issuance of the Series 2018 Bonds. Director Tomas seconded the motion, which passed unanimously.

h. Authorize Attorney and Financial Advisor to take all necessary action to deliver the District's Series 2018 Bonds to the purchaser thereof; and

Mr. Cleveland explained to the Board that the District’s attorney and financial advisor need the Board’s authorization to deliver the Series 2018 Bonds to the purchaser thereof. Director Smith moved to authorize the District’s attorney and financial advisor to take all necessary action to deliver the Series 2018 Bonds to the purchaser thereof. Director Suchyta seconded the motion, which passed unanimously.

i. Consider and act upon any other matters concerning the District's Series 2018 Bonds.

There were no other matters concerning the District’s Series 2018 Bonds for the Board’s consideration.

GARBAGE

Mr. Cleveland reminded the Board that they authorized him to solicit proposals for garbage and recycling services. Mr. Cleveland then presented a summary of proposals received for garbage and recycling services. Ms. Leighton of Best Trash, Mr. Ballowe of Texas Pride Disposal, Mr. DeLeon of WCA, and Ms. Kirby of Aggressive Waste Disposal then presented their proposals to the District. Discussion then ensued regarding the companies' various qualifications and proposal packages. After discussion, Director Orr moved to authorize Mr. Cleveland to negotiate a proposed contract for garbage and recycling services with Best Trash for consideration at the Board's October meeting. The motion was seconded by Director Suchyta and passed by a vote of 3-1, with Director Tomas voting against.

MINUTES

The Board next considered approving the minutes of its regular meeting held on August 21, 2018. After discussion, Director Smith moved to approve the minutes of the August 21, 2018, regular meeting as presented. Director Suchyta seconded the motion, which passed unanimously.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Ramos distributed and reviewed with the Board the Tax Assessor-Collector's Report for August 2018, a copy of which is attached hereto. She reported that as of August 31, 2018, the District's 2017 taxes were 99.00% collected. After discussion, Director Orr moved to approve the Tax Assessor/Collector's Report, and payment of the bills. Director Suchyta seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

There was no report. Director Orr then inquired regarding receipt of the Delinquent Tax Attorney report. In response, Ms. Ramos stated that she would follow up with the Delinquent Tax Attorney's office regarding the status of the District's reports.

BOOKKEEPER'S REPORT

Mr. Diaz distributed and reviewed with the Board the Bookkeeper's Report from August 22, 2018, through September 18, 2018, and Investment Report for August, copies of which are attached hereto. He reported a 11.80-month reserve in the District's operating account. Director Orr then inquired regarding a discrepancy in the report. In response, Mr. Diaz stated that he would review Director Orr's inquiry and follow up with a response to the Board. After discussion, Director Smith moved to approve the Bookkeeper's Report, the Investment Report, and the payment of the bills. Director Suchyta seconded the motion, which passed unanimously.

OPERATOR

Ms. Lang presented the Operator's Report for August, a copy of which is attached hereto. She reported 842 connections, 22 delinquent accounts, and no identify thefts for August 2018. The

Board 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 been paid in full and the customer has been reconnected. After discussion, Director Suchyta moved to approve the Operator's report, and terminate service to those customers with delinquent accounts. Director Smith seconded the motion, which passed unanimously.

WATER CHARGES

Mr. Cleveland stated that the City continues to work on the 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"). He also stated that City staff intends to present to City Commission the District's request for a refund or a credit for the additional fees the District has paid since the Edgar Water Plant was completed. After discussion, the Board then tabled further discussion.

MAINTENANCE OF RECREATIONAL FACILITIES

a. Report on work performed by Champions Hydrolawn;

Mr. Cleveland distributed the Detention and Drainage Facilities Report from Champions dated September, 2018, a copy of which is attached hereto. He also presented an amended maintenance budget for fiscal year 2018 from Champions Hydrolawn to include 0.5244-acre tract of land to the District's maintenance schedule. After discussion Director Smith moved to approve the amended maintenance budget for fiscal year 2018 from Champions Hydrolawn. Director Suchyta seconded the motion, which passed unanimously.

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.

Mr. Cleveland then presented a request from Ms. Marsters for an additional key to the District's Bulletin Board for use by the Brazos River's Edge Community Association's ("BRECA") management company for posting of BRECA's agendas. The Board concurred to allow for an additional key for BRECA to be made.

WEBSITE

Mr. Cleveland inquired whether the Board has any comments regarding the website that he can relay to Shannon Waugh. There were no comments.

ACTION LIST

The Board then reviewed the action list.

PUBLIC COMMENTS

The meeting was again opened for public comments.

ADJOURNMENT

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

(District Seal)



/s/ Suzan Orr
Secretary

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Meeting Sign-in Sheet	1
Engineer's Report	2
Bid Comparison	4
Pricing Book	4
Tax Assessor/Collector Report	6
Bookkeeper's Report/Investment Reports	6
Operator's Report.....	6
Champions Report	7

ACTION LIST

ATTORNEY

Mr. Cleveland will negotiate a contract garbage services and recycling services with Best Trash.

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

Mr. Cleveland will draft a Developer Financing Agreement with SIBS International, Inc.

Mr. Cleveland will coordinate a special meeting to discuss condemnation proceedings with Mark Breeding.

Ms. Galvan will coordinate with BRECA for the acquisition of an additional key to the District's bulletin board.

Mr. Cleveland will research the ability for the District to impose standby fees.

TAX ASSESSOR/COLLECTOR

Ms. Ramos will follow up with the District's Delinquent Tax Attorney regarding the District's reports.

BOOKEEPER

Mr. Diaz will follow up on the bookkeeper's report discrepancy and follow up with the Board.

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.