

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

October 16, 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 October 16, 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 Suchyta, thus constituting a quorum.

Also present during all or part of the meeting were Insukba Lyons of SIBS International, Inc.; Carl Sandin of Perdue Brandon Fielder Collins & Mott, LLP (“Perdue Brandon”); Vanessa Marsters of Brazos’ River’s Edge Community Association, Inc. (“BRECA”); Ron Dechert and Stephen Wilcox of Costello, Inc. (“Costello”); Mike Arterburn 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.

BOARD OF DIRECTORS

In response to Director Suchyta’s upcoming resignation from the Board effective after the District’s bond closing on October 18th, the Board considered the appointment of a new director to fill the pending vacancy. Director Orr then explained the Director Appointment Committee’s process in arriving at its recommendation to fill the vacancy. Director Tomas then stated that the Director Appointment Committee’s recommendation is Ms. Feryal Abdulkader. After discussion, Director Tomas moved to appoint Feryal Abdulkader to the Board position to be vacated by Director Suchyta, effective as of October 19th; approve a new District Registration Form; and approve the Bond, Oath, and Sworn Statement of Ms. Abdulkader. Director Smith seconded the motion, which passed unanimously.

Mr. Cleveland explained that the officer position of President needs to be filled. Mr. Cleveland then asked the Board if they wished to elect new officers. Discussion ensued regarding

the nominations of Directors Smith and Orr for the position of President. After discussion, this item was tabled, pending further discussion at the Board's November meeting.

LID 22

Mr. Wilcox then reported on the status of the District's grant application to the Federal Emergency Management Agency's Hazard Mitigation Grant Program ("HMGP"), managed by the Texas Department of Emergency Management, to fund a District levee. He stated that this project is not being done on behalf of proposed Levee Improvement District No. 22. He then reviewed the funding obligations of HMGP grant recipients. He also reported on Costello's difficulty in obtaining a grant writing consultant with experience with HMGP and stated that the grant application is being written internally. He then requested authorization for Costello to contract with a benefit cost analysis consultant for certain technical expertise required for the application. After discussion, Director Orr moved to authorize the engineer to engage a benefit cost analysis consultant in connection with the District's HMGP application. Director Smith seconded the motion, which passed unanimously. Mr. Wilcox then asked if a Board member would consider executing documents in connection with the District's HMGP application submission. The Board concurred that Director Thomas would sign on behalf of the District.

DEVELOPMENT

The Board next considered entering into a Developer Financing Agreement by and between the District and SIBS International, Inc. ("SIBS"), relative to SIB's advancement of funds to the District for the construction of public utilities necessary to serve the new development in the District. Mr. Cleveland reviewed the draft 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. Discussion ensued regarding the District's options and obligations in regard to reimbursement for the advancement of funds and requested clarification in the draft presented. After discussion, Director Orr moved to approve a Developer Financing Agreement by and between the District and SIBS as revised to include clarification that reimbursement to SIBS would be predicated upon new taxable value created in the new development sufficient to provide for such reimbursement, and delegate final form approval to Director Waites. Director Smith seconded the motion, which passed unanimously.

ENGINEER'S REPORT

Mr. Dechert presented the Engineer's Report dated October 12, 2018, a copy of which is attached hereto.

a. Flap Gate:

Mr. Dechert reported that Pecan Grove Municipal Utility District ("Pecan Grove") did not yet approve installation of the flap-gate but did authorize Costello to survey the outfall ditch and surrounding area to verify the dimensions on the headwall. He also reported that

the survey is complete and that Costello is preparing presentation material to reflect the advantages of the District's request to install a flap-gate on Pecan Grove's outfall at FM 359 and Jones Creek. Mr. Cleveland then asked if a Board member would consider attending the next meeting with Pecan Grove's Board, which he and Mr. Dechert will attend. The Board concurred that Director Smith will attend.

b. Emergency Flood Mitigation:

Director Smith then reported on the stakeholders meeting with Fort Bend County Judge Hebert. He reported that after discussions with Judge Hebert's staff, LMS, a local operator, is willing to reconsider pursuing a stand-by contract for installation of emergency materials. Mr. Dechert noted that LMS is willing to provide management services but not labor for the installation of emergency materials. Discussion ensued regarding the obstacles with obtaining a labor force for the installation of emergency materials. After discussion, Director Orr moved to authorize Director Smith to coordinate meetings with the City of Richmond and Fort Bend County to discuss the use of emergency management personnel for training and deployment of District emergency materials. Director Waites seconded the motion, which passed unanimously.

c. NRCS Grant:

Mr. Dechert 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 has been approved. Mr. Dechert then reported that receipt of a draft Project Agreement is not anticipated until 2019. No action was necessary.

DISTRICT BERM PROJECTS

a. Report:

Mr. Cleveland then presented a brief update on the status of the District's project to construct drainage and flood mitigation berms on DRS properties north of the District and along the southern boundary of the District. No action was necessary.

b. Condemnation:

This item was tabled.

2018 BOND ISSUE

Mr. Cleveland reported that the District's \$5,670,000 Unlimited Tax Bonds, Series 2018 were approved by the Attorney General of Texas and that closing will occur on October 18, 2018.

- a) Consider and act upon approving disbursement of bond proceeds and any other matters concerning the District's \$5,670,000 Unlimited Tax Bonds, Series 2018;

Mr. Cleveland then reviewed the disbursement of the bond proceeds upon closing. After discussion, Director Smith moved to authorize disbursement of the Series 2018 Bond proceeds in accordance with the closing letter from the District's financial advisor. Director Orr seconded the motion, which passed unanimously.

- b) Consider and approve an Amended District Information Form and recordation of same; and

Mr. Cleveland then presented Amendment No. 22 to the District Information Form for the Board's approval. Mr. Cleveland explained that the form is being amended to reflect the 2018 bond sale. Director Waites moved to approve Amendment No. 22 to the District's Information Form. Director Smith seconded the motion, which passed unanimously.

- c) Authorize all appropriate action.

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

MINUTES

The Board next considered approving the minutes of its regular meeting held on September 18, 2018, and special meeting held on October 2, 2018. After discussion, Director Smith moved to approve the minutes of the September 18, 2018, regular meeting and October 2, 2018, special 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 September 2018, a copy of which is attached hereto. He reported that as of September 30, 2018, the District's 2017 taxes were 99.07% collected. He also reported that the District will be reallocating three (3) reimbursement checks and paying overdraft fees to customers who did not deposit their reimbursement checks before the transfer of the District's tax account to the District's new bank. Director Waites then inquired why the District did not wait until the reimbursement checks cleared before transferring the District's account. In response, Mr. Arterburn stated that the checks expired and would no longer be honored by the District's previous banking institution regardless of the bank transfer. After discussion, Director Waites moved to approve the Tax Assessor/Collector's Report, and payment of the bills. Director Orr seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

Mr. Carl Sandin of Perdue Brandon introduced himself to the Board. He then presented and reviewed the Delinquent Tax Report, dated October 16, 2018, a copy of which is attached hereto. He then explained the collection procedures for delinquent accounts. Director Waites then inquired regarding receipt of monthly reports from Perdue Brandon going forward. In response,

Mr. Sandin explained the efficiency issues with monthly reports and asked that the Board consider receipt of quarterly reports instead. The Board concurred with receipt of quarterly reports.

BOOKKEEPER'S REPORT

Mr. Diaz distributed and reviewed with the Board the Bookkeeper's Report from September 19, 2018, through October 16, 2018, and Investment Report for September, copies of which are attached hereto. He reported a 11.46-month reserve in the District's operating account. Director Waites then reviewed with the Board a budget comparison to actuals for September 2018 and year-to-date. He then asked that the Board consider review of the District's revenue sources for the next meeting. After discussion, Director Waites moved to approve the Bookkeeper's Report, the Investment Report, and the payment of the bills. Director Orr seconded the motion, which passed unanimously.

OPERATOR

Ms. Lang presented the Operator's Report for September, a copy of which is attached hereto. She reported 842 connections, 34 delinquent accounts, and no identify thefts for September 2018. Director Waites then requested additional items be added to the Operator's Report regarding maintenance, repairs, customer contacts, etc. After discussion, Director Smith moved to approve the Operator's report, and terminate service to those customers with delinquent accounts. Director Waites 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"). Ms. Lang then reported on the challenges the City has experienced in determining how to calculate the District's rate based on input received from the District. Mr. Cleveland also reported 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. Discussion ensued regarding the method of calculation and how to calculate the origination of reimbursement for fees owed to the District. After discussion, the Board concurred to delay action on the water rates pending a formal proposal from the City stating the new water supply fees and providing for reimbursement for the additional fees the District has paid since the new Contract rates were to go into effect (30 days after the Edgar Water Plant was completed).

GARBAGE

Mr. Cleveland presented for the Board's consideration a proposed contract for garbage and recycling collection services with Best Trash. Discussion ensued regarding the inclusion of a contractual obligation of the concierge services provided by Best Trash, a request to Best Trash to match the District's current cost of services, and conducting a resident survey on the desirability of changing service providers. Director Smith then moved to authorize Mr. Cleveland to negotiate the additional contract terms requested and authorize Directors Smith and Orr to attend the next

BRECA meeting to sample resident opinion regarding changing the District's garbage and recycling collection provider. Director Waites 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 October, 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.; and consider purchase of additional garbage cans at the Party Barn.

Mr. Cleveland then presented a request from Ms. Marsters for additional trash bins to serve the District's Party Barn. Director Orr moved to approve BRECA's purchase of two trash bins to serve the District's Party Barn and reimbursement of same. Director Waites seconded the motion, which passed unanimously.

Ms. Marsters then inquired about the District's efforts to address erosion issues at the District lake south of Blaisdale Road. In response, Mr. Dechert acknowledged awareness of an erosion issue at the District's lake south of Blaisdale Road and that Costello is monitoring the erosion. He noted that the current erosion conditions are not aesthetically pleasing but do not compromise the structural integrity of the lake. He stated he is unaware of feasible mitigation options at the current stage of erosion. The Board then inquired whether the District's lake management or mowing consultants might know of feasible mitigation options and directed Mr. Cleveland to inquire on behalf of the District.

CONSULTANT CONTRACTS

Mr. Cleveland then stated that the Board requested that an item be placed on the District's agenda to consider creating a committee to review the District's consultant contracts. Discussion ensued regarding the objective of the committee, the timeline for conducting a review of the District's consultant contracts, and the priority of the contracts being reviewed. After discussion, Director Waites moved to direct the District's attorney to compile and distribute all of the District's consultant contracts to the Board and include a request for proposals for bookkeeping services on the District's November agenda. Director Orr seconded the motion, which passed unanimously.

STANDBY FEES

Mr. Cleveland explained that the District does not currently meet the necessary requisites to impose standby fees. No action was necessary.

ARBITRAGE COMPLIANCE SPECIALISTS

Mr. Cleveland presented the Tenth Year and Final Rebate Report on the District's \$4,500,000 Unlimited Tax Bonds Series 2007A from Arbitrage Compliance Specialists and explained that the District has no arbitrage liability at this time. Director Orr moved to approve the Tenth Year and Final Rebate Report on the District's \$4,500,000 Unlimited Tax Bonds Series 2007A. Director Tomas seconded the motion, which passed unanimously.

MEETING DOCUMENTS

Mr. Cleveland inquired whether the Board wished to consider moving the District's November meeting due to a conflict with holiday schedules. After discussion, Director Orr moved to hold the District's November meeting on November 27th. Director Waites seconded the motion, which passed unanimously.

WEBSITE

Mr. Cleveland inquired whether the Board has any comments regarding the website that he can relay to Shannon Waugh. Director Smith then requested that the BRECA's October meeting be noticed on the District's website. Director Orr then requested that the Director information be updated to reflect the appointment of Director Abdulkader. There were no further comments.

BOARD OF DIRECTORS

This item was revisited. Discussion ensued regarding nominating an additional investment officer. After discussion, Director Orr moved to appoint Director Waites as an additional District Investment Officer. Director Smith seconded the motion, which passed unanimously.

EXECUTIVE SESSION

The Board did not convene in executive session.

ACTION LIST

The Board then reviewed the action list.

ADJOURNMENT

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

(District Seal)



/s/ Suzan Orr
Secretary

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ACTION LIST

DIRECTORS

Director Waites will forward conservation materials to the District's Attorney for distribution to the Board.

Director Smith will coordinate meetings with the City of Richmond and Fort Bend County to discuss the use of emergency management personnel for training and deployment of District emergency materials.

ATTORNEY

Mr. Cleveland will continue to negotiate a contract for garbage and recycling collection services with Best Trash.

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

Mr. Cleveland will negotiate additional terms to the Developer Financing Agreement with SIBS International, Inc. and coordinate approval of final form with Director Waites.

Mr. Cleveland will contact Lake Management and Champions regarding lake erosion solutions for District's lake south of Blaisdale.

Mr. Cleveland will conduct Director Orientation with Director Abdulkader.

Mr. Cleveland will request a formal rate proposal from the City of Richmond.

Ms. Galvan will gather all Consultant Contracts and distribute to the Board for review.

Ms. Galvan will coordinate with the District's website consultant regarding the Board's requested website updates.

ENGINEER

Costello will coordinate with Director Tomas to execute documents in connection with the District's application to the Federal Emergency Management Agency's Hazard Mitigation Grant Program.

Costello will contact the Brazos River Authority ("BRA") in connection with the impact of the BRA's scheduled dam releases on the District.

Costello will confirm the District's current flood point.

Costello will contact Levy Management Services regarding its willingness to set up the District's emergency materials.

OPERATOR

Ms. Lang will include a detailed report of operator activities regarding maintenance and service to District facilities.

Ms. Lang will provide data regarding customer usage for the District's last fiscal-year end and distribute same to Director Waites.

NRCS GRANT ACTION LIST

ATTORNEY

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