

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Special Meeting of Board of Directors

December 13, 2016

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 December 13, 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, thus constituting a quorum.

Also present during all or part of the meeting were Brent Palermo of Costello, Inc. ("Costello"); Monic Pena of Utility Tax Service, LLC ("Utility Tax"); Jorge Diaz of McLennan and Associates; Susan Lang of the City of Richmond ("City"); Don Jansen of Planned Community Developers Ltd. ("PCD"); Greg Lentz of FirstSouthwest, a division of Hilltop Securities ("FirstSouthwest"); Collete Garcia of McGrath & Co., PLLC; Phil Halbert of Champions Hydrolawn, Inc. ("Champions"); Jeanne McDonald, Joel Cleveland and Olivia Galvan of Jeanne H. McDonald, P.C; and Harry Murray and Randall Stoker, members of the public.

PUBLIC COMMENTS

Director Brady called the meeting to order. He then explained that the Board will hear public comments and take questions at the end of the meeting to allow sufficient time for the Board to conduct the business of the District.

HIGH WATER EVENT

- a. Report on status of storm sewer drainage along northern boundary of District and installation of additional drainage inlet;

Mr. Palermo reported that Mr. King is still coordinating with the homeowner regarding the installation of the new drainage inlet along the northern boundary of the District, on the back-property line of 622 Silver Creek Circle. No action was necessary.

- b. Receive report on installation of flap-gate at District's nature park outfall structure, approve pay estimates and change orders if necessary, and accept certificate of completion if appropriate; and

Mr. Palermo then reported that the contractor, Hurtado Construction Co., installed the flap-gate but that pouring of the cement has been delayed due to weather conditions. He stated that the project should be completed within the next two weeks. No action was necessary.

- c. 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. Palermo reported that the Board of Directors of Fort Bend County Municipal Utility District No. 145 ("MUD 145") approved the deposit agreement with the District and authorized its engineer to cooperate in the District's efforts to determine the feasibility of reconstructing the embankment west of Rio Vista. He also reported that a meeting with MUD 145's engineers has been scheduled. After discussion, no action was necessary.

MINUTES

The Board considered approving the minutes of its regular meeting held on November 15, 2016. After discussion, Director Yeatts moved to approve the minutes of the November 15, 2016, regular meeting as presented. Director Coward seconded the motion, which passed unanimously.

ACTION LIST

There was no action list.

AUDIT

Mr. Cleveland reported that the Board approved an evergreen contract with McGrath & Co., PLLC for auditing services at the November 15, 2016, board meeting. He recommended, however, that the Board ratify approval of the agreement since it was not clearly noticed on the District's November agenda. After discussion, Director Myers moved to ratify approval of the evergreen contract with McGrath & Co., PLLC for auditing services. Director Yeatts seconded the motion, which passed unanimously.

Director Braswell entered the meeting at 12:04 pm.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Pena distributed and reviewed with the Board the Tax Assessor-Collector's Report for November 2016, a copy of which is attached hereto. She reported that as of November 30, 2016, the District's 2015 taxes were 99.89% collected, and the District's 2016 taxes were 3.81% collected. Ms. Pena then asked the Board if it would like a new aerial photograph taken of the District. After discussion, Director Coward moved to approve the Tax Assessor-Collector's

Report, the payment of the bills, and authorize a new aerial photograph. Director Yeatts seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

There was no report.

BOOKKEEPER

Mr. Diaz then distributed and reviewed with the Board the Bookkeeper's Report from October 19, 2016, through December 13, 2016, and an Investment Report for November, copies of which are attached hereto. He reported an 11.69-month reserve in the District's operating account. Mr. Cleveland then reported that he asked the bookkeeper, on the recommendation of the District's auditor, to establish a new account in the Capital Projects Fund in connection with District's Series 2016A Park Bonds and that the account was created. After discussion, Director Myers moved to approve the Bookkeeper's Report, the Investment Report and the payment of the bills. Director Coward seconded the motion, which passed unanimously.

INVESTMENT OFFICER

Mr. Cleveland stated that Ms. McLellan, the District's bookkeeper, is the District's sole investment officer and that she has requested that the Board consider appointing a new investment officer in her place. Mr. Diaz then requested that the Board consider adopting an Order Appointing Investment Officer and naming him the District's new investment officer. He noted that he has taken the required investment officer training. After discussion, Director Braswell moved to adopt the Order Appointing Investment Officer as presented. Director Yeatts seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Ms. Lang next presented the Operator's Report for November 2016, a copy of which is attached hereto. She reported 738 connections, 59 delinquent accounts and no identity thefts for November 2016. Director Coward inquired about the high number of delinquent accounts. Ms. Lang reported that the list is longer than usual due to the timing of the District's special meeting and that she expects more customers will pay their bills in the next few days. Discussion then ensued regarding postponing termination of water services to delinquent accounts until after the holidays. After discussion, Director Coward moved to approve the Operator's report and delay water service termination for delinquent accounts. Director Braswell seconded the motion, and it passed by a vote of 4-1, with Director Myers voting against approval.

Ms. McDonald then reported on a bill adjustment request from Ms. Rachel Gilbert, a District resident living at 614 Silver Creek, for the months of June through September 2016. Ms. McDonald also reported that a subcontractor of the City estimated Ms. Gilbert's water usage for all or a portion of the period at issue, instead of performing manual readings the meter as required. She further reported that such employee then performed an incorrect testing procedure on Ms. Gilbert's water meter and, based on such test, told Ms. Gilbert that her meter was inaccurate. Ms. McDonald went on

to report that Ms. Gilbert's meter was thereafter replaced and that the old meter is gone and cannot now be tested for accuracy using the correct procedure. Ms. McDonald then recommended that the Board consider adjusting Ms. Gilbert's bill based on last year's historical data for such period and waive any late fees for the contested period. After discussion, Director Braswell moved to approve the bill adjustment request for Ms. Gilbert and waive any late fees for the contested period due to the extenuating circumstances. Director Coward seconded the motion, which passed unanimously.

SURFACE WATER

Ms. Lang reported that the groundwater reduction plan meeting went well and that groundwater reduction plan fee projections were on target. No action was necessary.

GROUNDWATER FACILITIES

There was no report.

MAINTENANCE OF RECREATIONAL FACILITIES

a. Report on work performed by Champions Hydrolawn;

Mr. Halbert presented the Detention and Drainage Facilities Report from Champions dated December 13, 2016, a copy of which is attached hereto. No action was necessary.

b. Consider proposal(s) to repair the District's Nature Trail;

Mr. Cleveland reported that James King has not yet been able to re-evaluate the condition of the trail due to continued rain and the overall soil condition of the park. No action was necessary.

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

Mr. Cleveland then reported that the repairs to the damaged water fountain at one of the District's amenity lakes was completed for less than the amount quoted. No action was necessary.

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

Mr. Jansen had nothing to report.

ENGINEER'S REPORT

Mr. Dechert had nothing additional to report.

BOND ISSUE- SERIES 2016

Mr. Cleveland reported that the District's \$5,700,000 Unlimited Tax Bonds, Series 2016 were approved by the Attorney General of Texas and that closing will occur on December 15, 2016.

- a) Consider and approve the audit of reimbursements to be made to the Developer from the proceeds of sale of the District's \$5,700,000 Unlimited Tax Bonds, Series 2016;

Ms. Garcia then distributed and reviewed the Developer Reimbursement Report for the Series 2016 Bonds. She reported that payment to the developer pursuant to the report will not be made until the bonds are closed on December 15, 2016. Action was taken below.

- b) Consider and act upon approving disbursement of bond proceeds and any other matters concerning the District's \$5,700,000 Series 2016 Bonds;

Mr. Lentz then reviewed the disbursement of the bond proceeds upon closing. Action was taken below.

- c) Authorize all appropriate action.

There were no other matters concerning the District's Series 2016 Bonds for the Board's consideration.

After discussion, Director Myers moved to approve the Developer Reimbursement Report for the District's Series 2016 Bonds and authorize the District's bookkeeper to disburse the Series 2016 Bond proceeds in accordance with the closing letter from the financial advisor and in accordance with the Developer Reimbursement Report. Director Yeatts seconded the motion, which passed unanimously.

BOND ISSUE – SERIES 2016A

Mr. Cleveland reported that the District's \$1,825,000 Unlimited Tax Park Bonds, Series 2016A were also approved by the Attorney General of Texas and that closing will also occur on December 15, 2016.

- a) Consider and approve the audit of reimbursements to be made to the Developer from the proceeds of sale of the District's \$1,825,000 Unlimited Tax Park Bonds, Series 2016A;

Ms. Garcia then distributed and reviewed the Developer Reimbursement Report for the Series 2016A Park Bonds. She reported that payment to the developer pursuant to the report will not be made until the bonds are closed on December 15, 2016. Action was taken below.

- b) Consider and act upon approving disbursement of bond proceeds and any other matters concerning the District's \$1,825,000 Unlimited Tax Park Bonds, Series 2016A;

Mr. Lentz then reviewed the disbursement of the bond proceeds upon closing. Action was taken below.

- c) Authorize all appropriate action.

There were no other matters concerning the District's Series 2016A Park Bonds for the Board's consideration.

After discussion, Director Myers moved to approve the Developer Reimbursement Report for the Series 2016A Park Bonds and authorize the District's bookkeeper to disburse the Series 2016A Park Bond proceeds in accordance with the closing letter from the financial advisor and in accordance with the Developer Reimbursement Report. Director Yeatts seconded the motion, which passed unanimously.

DISTRICT INFORMATION FORM

Mr. Cleveland then presented Amendment No. 19 to the District Information Form for the Board's approval. Mr. Cleveland explained that the form is being amended to reflect the 2016 bond sales. Director Myers moved to approve Amendment No. 19 to the District's Information Form. Director Yeatts seconded the motion, which passed unanimously.

DEVELOPER

Mr. Jansen reported the steady take down of lots in the District by builders Perry and Weekly Homes. He also stated that another 70 to 80 take downs are expected in 2017. He also reported that the gymnasium construction is almost complete. Mr Jansen also reported that Mr. Harry Murray will be reporting on activity by the Brazos River's Edge Community Association going forward. No action was necessary.

PUBLIC COMMENTS

This item was reopened. Mr. Murray reported on the status of residents affected by the high water event and the anxiousness to have the berm rebuilt. There were no further public comments, and no action was taken.

LEGAL UPDATE – EMBANKMENT REMOVAL

There was no additional report.

EXECUTIVE SESSION

The Board did not convene in executive session.

ADJOURNMENT

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

Arden Myers
Secretary



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ACTION LIST

There was no action list.