

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

January 17, 2017

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 January 17, 2017, at 12:00 p.m., at the offices of Planned Community Developers, Ltd., 15958 City Walk, Suite 250, 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 with the exception of Director Coward, thus constituting a quorum.

Also present during all or part of the meeting were Ron Dechert of Costello, Inc. ("Costello"); Rochelle Arterburn of Utility Tax Service, LLC ("Utility Tax"); Jorge Diaz of McLennan and Associates; Howard Christian, Marika Fernandez, and Scott Fajkus of the City of Richmond ("City"); Les Newton of Planned Community Developers Ltd. ("PCD"); Joel Cleveland and Olivia Galvan of Jeanne H. McDonald, P.C; and Ed Harrigan, Randall Stoker, and Chance Bagley, District residents.

PUBLIC COMMENTS

Mr. Cleveland asked the Board whether it would like an item added to the February meeting agenda to consider renewing or entering into a new contract for mosquito spraying services. The Board concurred to include the item on the February meeting agenda.

HIGH WATER EVENT

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

Mr. Cleveland reported that he spoke with James King regarding installation of the additional drainage inlet on the back-property line of 622 Silver Creek Circle. He stated that Mr. King is still working with David Smith, the homeowner, to coordinate the installation, which will likely occur after Mr. Smith regrades his backyard in a manner designed to improve drainage and optimize the use of new inlet. 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. Dechert reported that the flap-gate has been installed and the project completed, save for the installation of one manhole lid. He also noted that the District saved \$12,000 on the project due to not having to remove certain sections of storm sewer piping, as originally intended. Mr. Dechert then presented Pay Estimate No. 1 from Hurtado Construction Co. in the amount of \$50,550.08, and he recommended approval. Director Braswell moved to approve payment of Pay Estimate No. 1 to Hurtado Construction Co. in the amount of \$50,550.08 for work associated with the installation of the flap-gate. Director Myers seconded the motion, which passed unanimously.

- 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. Dechert reported that Costello is waiting to receive a drainage study from Fort Bend County Municipal Utility District No. 145 ("MUD 145") so that Costello can analyze the study in concert with its own drainage studies for the purpose of confirming and demonstrating to MUD 145 that construction of the proposed berm will not adversely impact MUD 145 or its constituents. He reported that once MUD 145 agrees to allow the District to build the berm, construction can proceed relatively quickly. He estimated that construction could be completed by May 2017, provided timely approvals are obtained from MUD 145 and Fort Bend County. Discussion then ensued regarding the need for the project to move as quickly as possible to achieve the goal of having the berm in place before the spring rains. No action was necessary.

MINUTES

The Board considered approving the minutes of its special meeting held on December 13, 2016. After discussion, Director Myers moved to approve the minutes of the December 13, 2016, special meeting as presented. Director Yeatts seconded the motion, which passed unanimously.

ACTION LIST

There was no action list.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Arterburn distributed and reviewed with the Board the Tax Assessor-Collector's Report for December 2016, a copy of which is attached hereto. She reported that as of December 31, 2016, the District's 2016 taxes were 76.03% collected. After discussion, Director Myers moved to approve the Tax Assessor-Collector's Report and the payment of the bills. Director Braswell 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.

(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 further reported that the District has an evergreen contract with Perdue, Brandon, Fielder, Collins, & Mott, LLP.

After discussion, Director Myers 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 Yeatts 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 2016 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 Myers moved to approve the 2016 Annual Report and the filing of same. Director Yeatts seconded the motion, which passed unanimously.

BOOKKEEPER

Mr. Diaz distributed and reviewed with the Board the Bookkeeper's Report from December 14, 2016, through January 17, 2017, and an Investment Report for December, copies of which are attached hereto. He reported an 14.55-month reserve in the District's operating account. Mr. Diaz then pointed out to the Board that surplus bond proceeds from the District's Series 2016 Bonds and Series 2016A Park Bonds have been deposited into the District's Capital Projects Fund and Capital Projects Park Fund, respectively. After discussion, Director Yeatts moved to approve the Bookkeeper's Report, the Investment Report, and the payment of the bills. Director Braswell seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Ms. Fernandez next presented the Operator's Report for December 2016, a copy of which is attached hereto. She reported 746 connections, 47 delinquent accounts, and no identity thefts for December 2016. Mr. Cleveland then presented a letter from Chance Bagley, a District resident, requesting an adjustment to his water bill to waive "overcharges," as characterized by Mr. Bagley, as well as associated penalties and interest charges, totaling \$535.68. Mr. Bagley then entered the meeting and discussed his request further with the Board. Mr. Christian then requested that the Board table the matter so that he can investigate further. After discussion, Director Braswell moved to table action on Mr. Bagley's request until the February Board meeting. Director Yeatts seconded the motion, which passed unanimously. Director Myers then moved to approve the Operator's report and terminate service to those customers with delinquent accounts. Director Yeatts seconded the motion, which passed unanimously.

SURFACE WATER

Mr. Christian reported regarding the construction of the surface water treatment plant, noting that it is about 45% complete and is slated to be fully complete by December 2017. He then stated that he plans to attend a future District meeting to discuss issues related to the mixing of surface water and groundwater and treatment of such water with chloramines. No action was necessary.

GROUNDWATER FACILITIES

Mr. Christian reported that the City is still working through punch list items with the contractor regarding the Edgar Water Plant project. He also stated that the City is still working on determining where best to locate the proposed elevated storage tank that was initially intended to be located on the Edgar Water Plant site. After discussion, no action was necessary.

MAINTENANCE OF RECREATIONAL FACILITIES

- a. Report on work performed by Champions Hydrolawn;

There was no report.

- b. Report on work performed by James King Construction, and consider proposal 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 conditions at the park. No action was necessary.

- c. Report on work performed by Lake Management Services, L.P, including report on shoreline erosion at the amenity ponds; and

Mr. Cleveland then reported that Lake Management Services, L.P. noted some shoreline erosion on the District's amenity ponds, and he distributed photographs of the erosion to the Board. Mr. Dechert then noted that some of the pictures were not of the District's lakes. He also noted that such erosion is common and appears minor at this point. After discussion, the Board concurred to monitor the situation.

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

Mr. Newton reported that the Brazos River's Edge Community Association, Inc.'s capital reserves are fully funded. He also reported that the association is investigating options to replace fencing throughout the District, even though the association's capital reserve study does not call for replacement until 2025. He noted that the fencing will not be an exact match to what exists today but that it will match the general look of the neighborhood. No action was necessary.

ENGINEER'S REPORT

Mr. Dechert had nothing additional to report.

ARBITRAGE SERVICES

Mr. Cleveland next presented the Annual Compliance Report on the District's outstanding bond issues as prepared by Arbitrage Compliance Specialists ("ACS"), a copy of which is attached

hereto. He stated that the District does not owe and is not accruing liability to make payments to the Internal Revenue Service (“IRS”) under either arbitrage or yield restriction rules. Director Myers moved to approve the Annual Compliance Report. Director Yeatts seconded the motion, which passed unanimously.

Mr. Cleveland then presented to the Board engagement letters from ACS to perform the ten-year arbitrage rebate reports for the District’s Series 2007 and 2007A Bonds, as required by the IRS. He reported that ACS is proposing a fee of \$2,950 for each report. He then presented an engagement letter from ACS to enroll the District’s Series 2016 Bonds and Series 2016A Park Bonds in ACS’s Arbitrage Compliance Service Program. Director Myers moved to approve the engagement letters from ACS to perform the ten-year arbitrage reports for the District’s Series 2007 and 2007A Bonds and to enroll the District’s Series 2016 Bonds and Series 2016A Park Bonds in the Arbitrage Compliance Service Program. Director Yeatts seconded the motion, which passed unanimously.

DEVELOPER

Mr. Newton stated that Perry Homes and David Weekly are showing interest in the remaining 54 floodplain lots. No action was necessary.

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.

(District Seal)



Secretary

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Tax Assessor/Collector Report	2
Bookkeeper's Report/Investment Report.....	4
Operator's Report.....	4
ACS Annual Compliance Report.....	5

ACTION LIST

There was no action list.