

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 140

Minutes of Regular Meeting of Board of Directors

February 21, 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 February 21, 2017, 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 with the exception of Director Yeatts, thus constituting a quorum.

Also present during all or part of the meeting were Stephen Wilcox and Brent Palermo of Costello, Inc. ("Costello"); JoAnn Ramos of Utility Tax Service, LLC ("Utility Tax"); Jorge Diaz of McLennan and Associates; Marika Fernandez of the City of Richmond ("City"); Phil Halbert of Champions Hydrolawn, Inc. ("Champions"); Les Newton of Planned Community Developers Ltd. ("PCD"); Jeanne McDonald, Joel Cleveland, and Olivia Galvan of Jeanne H. McDonald, P.C.; Harry Murray, Randall Stoker, Lyliyan Bradshaw, and Chance Bagley, District residents; and Winston Payne, a member of the public.

PUBLIC COMMENTS

There were no public comments.

BERM CONSTRUCTION

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

Mr. Palermo reported regarding installation of the additional drainage inlet on the back-property line of 622 Silver Creek Circle, stating that the installation is on hold at the request of the homeowner, David Smith, to allow Mr. Smith time to make drainage improvements in his backyard. 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. Palemero reported that the contractor, Hurtado Construction Co., still needs to replace a manhole lid to close out the project. 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. Wilcox reported that Costello used drainage modeling provided by Fort Bend County Municipal Utility District No. 145's ("MUD 145") engineer to show that reconstructing the proposed berm will have no negative impact on MUD 145. He stated, however, that the modeling from MUD 145 needs to be refined and more detailed in order for Costello to issue a sealed letter confirming that the berm will have no negative impact on MUD 145. He stated that Costello is working on the refined modeling and that it should be complete within the next couple of weeks, at which time it will be submitted to MUD 145 for review. Discussion then ensued regarding the need to move the project forward expeditiously.

Ms. McDonald then asked the Board to authorize her to prepare a drainage easement for the berm and a settlement agreement with MUD 145 so that the documents may be sent to MUD 145, along with the no negative impact letter from Costello, as one package.

Mr. Newton then suggested that Costello submit its current findings of no negative impact to MUD 145 given that such findings are based on data provided by MUD 145's own engineer. Mr. Wilcox responded that he can do that but that further modeling will be required before Costello will issue the sealed letter. Mr. Newton further suggested that the Board authorize the District's engineer to proceed with obtaining competitive bids for construction of the berm in the event that MUD 145 approves the project before the District's March meeting.

After discussion, Director Braswell moved to direct Costello to submit its preliminary findings regarding no negative impact to MUD 145, authorize Ms. McDonald to prepare a drainage easement for the berm and a settlement agreement with MUD 145, and authorize Costello to proceed with obtaining competitive bids for construction of the berm, if necessary. Director Myers seconded the motion, which passed unanimously.

ENGINEER

This item was taken out of order. Mr. Wilcox then reported to the Board regarding plans to form a levee improvement district ("LID") that would encompass the District, DRS, MUD 145 and other adjacent land and communities. He stated that, if successfully created and approved by voters, the LID would need to levy a tax rate of \$0.45 per \$100 of value in order to implement its project plan, which, given legal limitations regarding overlapping tax rates, would require the District to find a means to decrease its tax rate from \$1.25 to \$1.05 per \$100 of value. He then stated that the estimated, all-in cost of the certified levy is \$160 million. He further reported that

the levee would be constructed in phases, with phase I providing protection to the District but not yet removing it from the floodplain for insurance purposes. He stated that removing the District from the floodplain maps would be accomplished in a later phase. He then stated that a land survey needs to be performed as part of the application process to create the LID and that the cost of the survey is about \$400,000. He stated that Costello will be asking the District and other affected communities to contribute funds for the survey. Discussion then ensued regarding the feasibility of the creation of the LID and the notion of the District participating in creation costs.

Ms. McDonald stated that the discussion is merely informational at this time and that the District's financial advisor will attend the Board's March meeting to discuss the financials and tax rate implications in greater detail. After discussion, this matter was tabled.

MINUTES

The Board next considered approving the minutes of its regular meeting held on January 17, 2017. After discussion, Director Myers moved to approve the minutes of the January 17, 2017, regular meeting as presented. Director Brady seconded the motion, which passed unanimously.

ACTION LIST

There was no action list.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Ramos distributed and reviewed with the Board the Tax Assessor-Collector's Report for January 2017, a copy of which is attached hereto. She reported that as of January 31, 2017, the District's 2016 taxes were 96.11% collected. After discussion, Director Braswell moved to approve the Tax Assessor-Collector's Report and the payment of the bills. Director Coward seconded the motion, which passed unanimously.

DELINQUENT TAX ATTORNEY

There was no report.

INVESTMENT POLICY ISSUES

Ms. McDonald then reviewed with the Board the District's current authorized investments under the District's Investment Policy and presented for the Board's consideration a Resolution Confirming the Investment Policy previously adopted on February 21, 2012. Director Braswell moved to approve the resolution as presented. Director Myers seconded the motion, which passed unanimously.

Mr. Diaz then presented his Public Funds Investment Act ("PFIA") disclosure as the District's Bookkeeper and Investment Officer. Director Braswell moved to approve the PFIA disclosure and authorize its filing. Director Myers seconded the motion, which passed unanimously.

Ms. McDonald next presented for the Board's consideration a resolution updating the list of broker/dealers with whom the District may engage in investment transactions. Director Braswell moved to adopt the Resolution Adopting List of Approved Broker/Dealers. Director Myers seconded the motion, which passed unanimously.

SURPLUS FUNDS APPLICATIONS

Ms. McDonald next presented for the Board's consideration Resolutions Authorizing Application to the Texas Commission on Environmental Quality for Use of Surplus funds to reimburse the District's developer, PCD, for 1) previously unreimbursed construction costs for Detention Pond No. 2 in the amount of \$18,008 plus interest, and 2) costs for the design and construction of recreational facilities serving the District, in an amount not to exceed the total of surplus funds available for such purpose in the Capital Projects Park Fund (currently \$75,783). After discussion, Director Myers moved to approve the resolutions. Director Braswell seconded the motion, which passed unanimously.

AWBD SUMMER CONFERENCE

Ms. McDonald then asked if the Board would like to authorize its directors to attend the AWBD Summer Conference. She recommended that the Board set the maximum number of per diems and hotel nights eligible for reimbursement. Director Brady moved to authorize all directors to attend the AWBD Summer Conference and to authorize up to a maximum of four (4) per diems and reimbursement for up to three (3) hotel nights for attendance at the conference. Director Coward seconded the motion, which passed unanimously.

BOOKKEEPER

Mr. Diaz distributed and reviewed with the Board the Bookkeeper's Report from January 18, 2017, through February 21, 2017, and an Investment Report for January, copies of which are attached hereto. He reported a 14.39-month reserve in the District's operating account. 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.

OPERATOR'S REPORT

Ms. Fernandez next presented the Operator's Report for January 2017, a copy of which is attached hereto. She reported 749 connections, 16 delinquent accounts, and no identity thefts for January 2017. Mr. Cleveland then reported that Howard Christian, the City of Richmond Public Works Director, reviewed Chance Bagley's request for an adjustment to his water bill (as discussed at the Board's January meeting). Mr. Cleveland reported that Mr. Christian is recommending that the District adjust Mr. Bagley's water bill to charge the base rate, rather than the graduated rates, for all water usage that was previously underestimated by the City and waive all penalty and interest charges on outstanding amounts billed to Mr. Bagley through the date of the meeting for water and sewer services. After discussion, Director Myers moved to approve the Operator's report, terminate service to those customers with delinquent accounts, and adjust Mr. Bagley's water bill and waive

penalty and interest charges as recommended by Mr. Christian. Director Coward seconded the motion, which passed unanimously.

SURFACE WATER

There was nothing new to report.

GROUNDWATER FACILITIES

There was nothing new to report.

MAINTENANCE OF RECREATIONAL FACILITIES

- a. Report on work performed by Champions Hydrolawn;

Phil Halbert presented the Detention and Drainage Facilities Report dated February 21, 2017, a copy of which is attached hereto. After discussion, no action was necessary.

- b. Report on work performed by James King Construction, and consider proposal to repair the District's Nature Trail;

This item was tabled.

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

There was no report.

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

Mr. Newton reported that the Brazos River's Edge Community Association, Inc.'s next board meeting is scheduled for the tomorrow, Wednesday, February 22. No action was necessary.

- e. Consider and approve contract for mosquito spraying services.

Ms. McDonald then presented a new contract proposal from Cypress Creek Mosquito Control, Inc. to perform weekly mosquito spraying at a cost of \$72 per week. After discussion, Director Coward moved to approve the contract for mosquito spraying services. Director Myers seconded the motion, which passed unanimously.

ENGINEER'S REPORT

Ms. McDonald presented for the Board's consideration a Utility Commitment Letter ("UCL") with Rivertrace Properties, LLC regarding the development of a retail center on the southwestern corner of the intersection of River Trace Dr. and FM 359 Rd. She explained that the purpose of a UCL is to reserve a maximum amount of water and sanitary sewer capacity to a

specific development for the specific purpose stated in the UCL (i.e., a retail center). She explained that a UCL also contains additional requirements and conditions regarding the District's reservation of water and sewer capacity. After discussion, Director Coward moved to approve the UCL as presented. Director Myers seconded the motion, which passed unanimously.

DEVELOPER

Mr. Newton stated that Perry Homes and David Weekly are still buying lots and building homes. 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.



Arden Myers
Secretary

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ACTION LIST

Engineer

Engineer will submit to MUD 145 preliminary findings showing that the berm will have no negative impact on MUD 145, and will complete additional modeling necessary to issue sealed letter to such effect.

Attorney

Ms. McDonald will draft proposed easement for berm and proposed settlement agreement with MUD 145.