

MINUTES
FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

January 24, 2017

The Board of Directors (the "Board") of Fort Bend County Municipal Utility District No. 2 (the "District") met in regular session, open to the public, on the 24th day of January, 2017, at Townewest Club House, 10322 Old Towne Lane, Sugar Land, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Robert Yack	President
Bernice Barclay	Vice President
Lisa Dudley	Secretary
Betty J. Stewart	Assistant Vice President
Pam Kelley	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present for all or a portion of the meeting were Kristina Houston of New Leaf Real Estate; Officer Calvin Johnson; Jerry Schroeder of Champions Hydro-Lawn, Inc. ("Champions"); Chad Abram of IDS Engineering Group ("IDS"); Christina Garcia of Myrtle Cruz, Inc. ("Myrtle Cruz"); Rebecca Marcucci of Municipal District Services LLC ("MDS"); David Patterson of Assessments of the Southwest, Inc. ("Assessments"); Dennis Shea and Jackie Yack, residents of the District; and Teshia Judkins and Merry Heyne of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENTS

Director Yack opened the meeting for public comments. Mr. Shea addressed the Board regarding the Board's previous denial of his request for the District to reimburse a sidewalk repair on his property located at 13907 Panhandle Drive in the amount of \$300. Mr. Shea provided additional information and requested the Board reconsider his request to reimburse him for the sidewalk repair that he asserts was a result of damage to his sidewalk caused by previous work on District facilities performed by the District.

Ms. Houston addressed the Board on behalf of an owner of 47 acres in the District located at Florence Road and Mason. She informed the Board that the owner is interested in annexing the property into one of the local municipal utility districts or the City of Sugar Land.

There being no additional public comments, Director Yack closed the meeting to public comments.

CONSENT AGENDA

The minutes from the November 29, 2016, regular Board meeting, and consultant reports were previously distributed. After discussion, Director Kelley moved to approve all items on the consent agenda, and to direct that, where appropriate, items are filed and retained in the District's official records, including the following: (1) the minutes from the November 29, 2016, regular Board meeting; (2) the tax assessor/collector's report; (3) the engineer's report; (4) the operator's report; (5) accept the arbitrage rebate report from OmniCap Group LLC for the Series 2011 Bonds, indicating no action by the District is required; (6) accept the disclosure statement from Mary Jarmon, as bookkeeper and investment officer of the District; and (7) approve and authorize execution of the List of Local Government Officers pursuant to Chapter 176 of the Texas Local Government Code. Director Barclay seconded the motion, which passed unanimously. Copies of all reports approved as part of the consent agenda are attached.

DETENTION AND DRAINAGE FACILITIES AND LANDSCAPING REPORT FROM CHAMPIONS HYDRO-LAWN, INC., PROJECTS, AND RELATED AGREEMENTS

Mr. Schroeder reviewed a Detention and Drainage Facilities Report, a copy of which is attached.

Mr. Schroeder reported on two small slope failures in the District, which Champions will continue to monitor. He also reported on an improperly placed outfall in the middle of the slope within Fort Bend County's channel, east of Belknap Road. Following discussion, the Board concurred to have Mr. Abram contact Cody Kalkomey of the Fort Bend County Drainage District to investigate this outfall further.

The Board discussed dirt that was illegally dumped on the channel, north of Clark Towne Road. Mr. Abram informed the Board that Mr. Kalkomey has spoken to, and is following up with, the owner responsible for dumping the dirt.

Mr. Schroeder informed the Board the sidewalks have been replaced at Old Towne and Townway. He requested the Board authorize Champions to add three pallets of sod along the sides of the sidewalk at a cost of \$562.50.

The Board discussed the pipe sticking out of the ground at Spanish Grant Drive. Mr. Abram noted Fort Bend County is responsible for this area and said he will also report this matter to Mr. Kalkomey.

The Board discussed the swales that need to be regraded to stop slope erosion. Mr. Abram noted Fort Bend County is responsible for this area and said he will also report this matter to Mr. Kalkomey.

Mr. Schroeder requested approval to trim the trees on the channels at a cost of \$3,600. Discussion ensued regarding trimming the trees in March.

Mr. Schroeder updated the Board on the installation of cameras near the Belknap Road detention pond across from Circle K to assist in deterring the illegal dumping of tile and debris at the detention pond. He reported that currently there is no appropriate location on existing District property to install such cameras.

Following discussion, Director Dudley moved to (1) approve the Detention and Drainage Facilities Report; (2) authorize Champions to add three pallets of sod along the sides of the sidewalks at Old Towne and Townway at a cost of \$562.50; and (3) authorize Champions to trim the trees on the channels in March at a cost of \$3,600. Director Kelley seconded the motion, which passed unanimously.

PLANTING ALONG FLORENCE AT THE DETENTION POND

This agenda item was tabled until the next Board meeting.

SECURITY PATROL MATTERS

Officer Johnson presented and reviewed security patrol matters included in the previously distributed Patrol Report, a copy of which is attached.

Officer Johnson reported on ongoing issues with the Classic Chevrolet service department. He requested the Board consider changing the service account for the patrol vehicle from Classic Chevrolet to Auto Nation Chevrolet on Highway 6. Officer Johnson also reported that Sergeant Don Jones will be resigning from the District security patrol in February 2017. He added that Deputy Marissa Salas will be taking over Sergeant Jones' Tuesday night shift.

Following discussion, Director Dudley moved to (1) approve the Patrol Report; and (2) authorize the actions necessary to change the service account for the patrol vehicle from Classic Chevrolet to Auto Nation Chevrolet on Highway 6. Director Barclay seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Garcia presented and reviewed the bookkeeper's report, a copy of which is attached, including the District's bills, budget comparison, and investment report. She added that check no. 1183 in the amount of \$3,003.06 will be paid out of the operating account. Following review and discussion, Director Dudley moved to approve the bookkeeper's report, including payment of the bills. Director Yack seconded the motion, which passed unanimously. Ms. Garcia informed the Board that she will no longer be able to attend meetings in the evening and that the District responsibilities

will be transitioning to Erin Garcia with Myrtle Cruz, who will begin attending the District's meetings in February.

QUARTERLY BUDGET REVIEW

Discussion ensued regarding the District budget. There was no action taken on this agenda item.

ACTION ITEMS FOR ENGINEERING AND OPERATIONS

Discussion ensued regarding a potential annexation request from the owner of the 47-acre tract located off Florence Road next to Riverway Estates. The Board discussed the District's current water and sewer capacity availability and the potential costs associated with increasing that capacity.

The Board discussed drainage issues in the District. Mr. Abram reported to the Board that he contacted the Texas Water Development Board ("TWDB"), and they informed him there are no grants available to assist the District with the drainage issues. He added that the TWDB also offers two different types of low interest loans that the District may be able to apply for but it is uncertain whether such an application would be granted. Following discussion, the Board concurred to have Mr. Abram and the available Board members meet with Fort Bend County's Road and Bridge Department or Fort Bend County's Engineering Department to further investigate the various solutions for the drainage issues in the District.

Mr. Abram updated the Board on the possible installation of streetlights along Burney Road and West Bellfort. He presented an updated proposal from CenterPoint Energy ("CenterPoint") for the addition of seven streetlights along the east side of the portion of Burney Road that borders the District for standard single cobra fixtures to be mounted on existing poles. Mr. Abram reported that CenterPoint presented a similar proposal to Fort Bend Municipal Utility District No. 119 for the installation of similar streetlights along the west side of the same portion of Burney Road. He presented a CenterPoint letter agreement ("Burney Road letter agreement") with the District for adding seven additional streetlights, to be mounted on existing poles, with monthly lighting service fees of \$25.48, plus monthly electricity costs. Following discussion, Director Kelley moved to approve the Burney Road letter agreement. Director Stewart seconded the motion, which passed by a vote of four to one, with Director Yack voting against. A copy of the Burney Road letter agreement is attached.

Mr. Abram next presented and reviewed a CenterPoint letter agreement ("West Bellfort letter agreement") with the District for the installation of 29 standard double cobra fixtures on metal poles to be installed in the median of the roadway, as CenterPoint determined no existing poles could be used, along the portion of West Bellfort Road that borders the District at a cost of \$102,921.48, plus monthly lighting

service fees of \$572.75, plus monthly electricity costs. Following discussion, Director Kelley moved to approve the West Bellfort letter agreement. Director Dudley seconded the motion, which passed by a vote of three to two, with Directors Yack and Barclay voting against. A copy of the West Bellfort letter agreement is attached.

Mr. Abram updated the Board on a hole in the storm sewer adjacent to the Eldridge Park Village detention basin. He reported that Fort Bend County ("FBC") will be repairing this hole because it is an FBC storm sewer pipe.

Mr. Abram updated the Board on the 2016 Sanitary Sewer and Storm Sewer Manhole Rehabilitation project (the "Manhole Rehabilitation project"). He reviewed the tabulation of bids and reported that five base bids and five alternate bids were solicited and received for the Manhole Rehabilitation project. He recommended award of the contract for the Manhole Rehabilitation project to the low bidder, Lopez Utilities Contractor, LLC ("Lopez"), for the alternate bid in the amount of \$1,484,128. Following review and discussion, Director Dudley moved to award the contract for the Manhole Rehabilitation project to Lopez, the contractor whose bid, in the opinion of the Board of Directors, will result in the best and most economical completion of the project, as recommended by the engineer, at a cost of \$1,484,128. Director Barclay seconded the motion, which was approved by unanimous vote.

The Board next discussed the sidewalks at several channel crossings that are being damaged when Champions crosses to maintain District facilities. The Board considered possible solutions, one of which was estimated to cost \$2,600 per unit for a total cost between \$26,000 and \$52,000, depending on the number of locations. After discussion, the Board concurred for Mr. Abrams to discuss potential solutions with Mr. Schroeder to determine if any other cost effective solutions are available.

The Board considered Mr. Shea's request earlier in the meeting to reimburse the sidewalk repair on his property located at 13907 Panhandle in the amount of \$300 that was previously denied by the Board. Following review and discussion, Director Dudley moved to reimburse Mr. Shea for the sidewalk repair in the amount of \$300, subject to Mr. Shea signing a release. Director Kelley seconded the motion, which passed by a vote of three to two, with Directors Yack and Stewart voting against.

Ms. Marcucci discussed adding a bill message regarding the shredding and recycling event. She also discussed an insert to be included in the water bills regarding the annual fire hydrant flushing with the shredding and recycling event on the back of the insert.

Ms. Marcucci presented and reviewed proposals for phase XI and phase XII storm sewer inlet and manhole repairs in the amount of \$27,803 and \$31,855, respectively. Mr. Abram confirmed that the capital improvements made as part of these projects are payable from bond funds.

Ms. Marcucci requested authorization for approval of a proposal from Neil Technical Services ("NTS") for a Variable Frequency Drive ("VFD") at a cost of \$14,777.50.

Following review and discussion, Director Barclay moved to (1) approve the bill message as discussed; (2) approve the water bill insert as discussed; (3) authorize MDS to perform the phase XI and phase XII storm sewer inlet and manhole repairs in the amount of \$27,803 and \$31,855, respectively; and (4) authorize NTS to add a VFD at a cost of \$14,777.50. Director Dudley seconded the motion, which passed unanimously.

The Board then discussed problems at Water Plant 1 that are resulting in the plant shutting down and being run in backup mode. Discussion ensued regarding potential solutions, including adding a new supervisory control and data acquisition ("SCADA") system. Ms. Marcucci reviewed a proposal from NTS for a new SCADA system at a cost of \$31,750. Following discussion, Director Yack moved to authorize MDS to solicit bids for a new SCADA system at Water Plant 1. Director Kelley seconded the motion, which passed unanimously.

Ms. Marcucci reviewed the list of equivalent single family connections ("ESFCs"), a copy of which is attached to the operator's report. Following discussion, Director Dudley moved to approve the list of ESFCs as discussed. Director Yack seconded the motion, which passed unanimously.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS AND CUSTOMER APPEALS

Ms. Marcucci reviewed customer correspondence and discussed updates to the extensions and adjustments approved by MDS since the last Board meeting and reviewed accounts recommended for write-off as listed in the operator's report.

Discussion ensued regarding a homeowner at 14102 Old Village who is requesting a credit due to the high usage of water caused by a leak which has now been repaired. He also requested a three-month payment plan with payments of approximately \$100 each month for the balance owed.

Following review and discussion, Director Dudley moved to (1) approve the extensions, adjustments, and write-off accounts as recommended by MDS; and (2) approve a credit for the homeowner at 14102 Old Village on District water fees only (noting no credit is given for NFBWA fees or District sewer fees) for water use in excess of average usage, as discussed, and approve a three-month payment plan in the amount of \$117.25 each month for the balance. Director Kelley seconded the motion, which passed unanimously. Copies of the lists for extensions, adjustments, and write-offs are filed and retained in the District's official records.

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Ms. Marcucci reported that the residents on the delinquent list were mailed written notice prior to this meeting in accordance with the District's Rate Order, notifying them of the opportunity to appear before the Board to explain, contest, or correct the nonpayment of their utility service bill, and to show reason why utility service should not be terminated for reason of nonpayment. After review and discussion, Director Dudley moved to authorize that service to the customers on the termination list with accounts remaining unpaid and who were not present at the meeting and had not presented any written statement on the matter be terminated in accordance with the District's Rate Order, except for accounts in amounts below \$30.00. Director Kelley seconded the motion, which passed unanimously.

AMEND RATE ORDER

This agenda item was tabled until the next Board meeting.

DISTRICT WEBSITE MATTERS

The Board discussed additions to the District website.

CORRESPONDENCE RECEIVED BY THE DISTRICT, DIRECTORS OR CONSULTANTS, AND REPORTS ON DISTRICT BUSINESS AND OPERATIONS

Ms. Marcucci discussed a letter that was received from the Environmental Protection Agency, a copy of which is included in the operator's report. She explained to the Board that the District was randomly selected for Assessment Monitoring under the Unregulated Contaminants Monitoring Rule. She added that it will be at no cost to the District.

NORTH FORT BEND WATER AUTHORITY ("NFBWA") MATTERS, INCLUDING LARRY'S TOOLBOX PROGRAM

The Board discussed the NFBWA fees effective January 1, 2017.

ATTORNEY'S REPORT, INCLUDING ANNUAL REPORT REGARDING POST-ISSUANCE COMPLIANCE POLICY

Ms. Judkins reported on the District's compliance activities during the prior calendar year related to bond financings. She stated that no corrective action or updates are required at this time.

The Board concurred to consider the request from Townewest Homeowners Association ("Townewest HOA") to amend the agreement between the District and the Townewest HOA concerning the dropbox. Discussion ensued.

DISCUSS TIME FOR FUTURE BOARD OF DIRECTOR MEETINGS

Director Dudley asked the Board to reconsider changing the time for future Board meetings from the evening back to the morning. Following discussion, no action was taken by the Board to modify the evening meeting time.

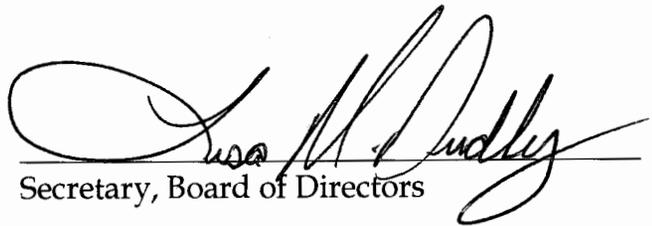
CONVENE IN EXECUTIVE SESSION

The Board did not convene in executive session pursuant to Section 551.071, Texas Government Code.

There being no further business to come before the Board, the meeting was adjourned by agreement.

(SEAL)




Secretary, Board of Directors

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