

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 35,
OF FORT BEND COUNTY, TEXAS

Minutes of Special Meeting of Board of Directors

January 8, 2020

The Board of Directors ("Board") of Fort Bend County Municipal Utility District No. 35, of Fort Bend County, Texas ("District"), met on January 8, 2020, at 1300 Post Oak Boulevard, Suite 1400, Houston, Harris County, Texas 77056, in accordance with the duly posted notice of special public meeting, and the roll was called of the duly constituted officers and members of said Board, as follows:

Susan Ruske, President
Piero Battistini, Vice President
Sergio Handal, Secretary
Trevor Eynon, Assistant Secretary
Steven Olsen, Assistant Secretary

and all of said persons were present, thus constituting a quorum. Director Battistini entered the meeting later as noted herein.

Also present were Erica Slater of Principal Management Group of Houston ("PMI"), Community Manager for Seven Meadows Community Association, Inc. ("Seven Meadows"); Morgan Stagg, President of Seven Meadows' Board of Directors; Esther Flores of Tax Tech, Inc. ("Tax Tech"); Taylor Watson of Municipal Accounts & Consulting, L.P. ("MAC"); Michele Vinogradov of BKD, LLP ("BKD"); Jeff Safe of Brown & Gay Engineers, Inc. ("BGE"); Katie May of Inframark ("Inframark"); Nag Jayaraman, a resident of the District; and Bryan Yeates and Melanie Walsh of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared it open for such business as might regularly come before it.

COMMENTS FROM THE PUBLIC

The Board deferred consideration of comments from the public as no comments were offered.

APPROVAL OF MINUTES

As the next order of business, the Board considered approval of the minutes of its meeting held on December 4, 2019. After discussion, Director Olsen moved that the minutes for said meeting be approved as written. Director Handal seconded said motion, which unanimously carried.

**FORT BEND COUNTY PRECINCT THREE CONSTABLE'S OFFICE ("FBCCO")
ACTIVITY REPORT**

Ms. Stagg presented a Monthly Contract Deputy Report for the month of December, 2019, regarding FBCCO, a copy of which is attached hereto as **Exhibit A**. It was noted that no action was required of the Board.

DISCUSSION REGARDING ADDITIONAL SECURITY MEASURES WITHIN THE DISTRICT

The Board next discussed whether to consider additional security measures for the District. In that regard, Mr. Yeates advised the Board that Fort Bend Municipal Utility District No. 34, of Fort Bend County, Texas ("No. 34") has requested proposals for the installation and management of a security camera system within the District. After discussion, the Board concurred to defer the matter until next month's meeting.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Flores presented to and reviewed with the Board the Tax Assessor-Collector Report for the month ending December 31, 2019, a copy of which is attached hereto as **Exhibit B**. After discussion, it was moved by Director Eynon, seconded by Director Ruske and unanimously carried, that the Tax Assessor-Collector Report be approved as presented, and that the disbursements identified therein be approved for payment.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Mr. Yeates outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Texas Tax Code. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2020, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older, from ad valorem taxes levied by the District during the calendar year 2020, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After further discussion of the matter, Director Handal moved that the District (a) not grant a residential homestead exemption, and (b) grant an exemption of \$30,000 for persons under a disability or sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2020, and that the Resolution, attached hereto as **Exhibit C**, relative to same be passed and adopted by the Board and District. Director Eynon seconded said motion, which unanimously carried.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes. Mr. Yeates advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Eynon, seconded by Director Olsen, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes attached hereto as **Exhibit D** be adopted by the Board, and that Perdue, Brandon, Fielder, Collins & Mott, L.L.P. be authorized to collect delinquent personal property taxes beginning April 1, 2020, including the filing of lawsuits, if necessary.

DELINQUENT TAX REPORT

Mr. Yeates presented to and reviewed with the Board a Delinquent Tax Report dated January 8, 2020, from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collections attorneys. A copy of said report is attached hereto as **Exhibit E**. The Board noted there were no action items in the report.

Director Battistini entered the meeting during the above discussion.

STATUS OF EVO PROGRAM REPORT

The Board considered the status an EVO Analysis and Metrics Report ("EVO Report") being prepared for the District by Municipal Financial Services, LLC ("MFS"). Mr. Watson advised the Board that MFS expects to present the EVO Report for the Board's review at the meeting scheduled for March 24, 2020.

BOOKKEEPER'S REPORT

Mr. Watson presented to and reviewed with the Board the Bookkeeper's Report dated January 8, 2020, a copy of which is attached hereto as **Exhibit F**. After discussion, Director Olsen moved that the Bookkeeper's Report be approved and that the disbursements identified in the Bookkeeper's Report be approved for payment. Director Battistini seconded said motion, which unanimously carried.

Ms. Stagg exited the meeting during the above discussion.

AUDIT REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

The Board next reviewed and considered approval of the District's audit report for the fiscal year ended September 30, 2019. In connection therewith, Ms. Vinogradov presented a draft of the audit report prepared by BKD, a copy of which is attached hereto as **Exhibit G**, and reviewed said audit in detail with the Board. After discussion, it was moved by Director Handal, seconded by Director Battistini and unanimously carried, that (i) the audit report for the fiscal year ended September 30, 2019, be approved, subject to final review and comments by the District's consultants, (ii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and (iii) such audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality ("TCEQ") and the Texas Comptroller of Public Accounts (the "Comptroller").

In connection with the District's audit, Ms. Vinogradov next presented to and reviewed with the Board a draft Management Letter prepared by BKD, concerning the Board's internal controls over financial reporting (the "Management Letter"), a copy of which is included in **Exhibit G**. Ms. Vinogradov advised the Board that the Management Letter is being submitted in connection with the requirements of Statement on Auditing Standards No. 115 and includes management's response to said letter. After discussion, it was moved by Director Handal, seconded by Director Battistini and unanimously carried, that the draft management response be approved, as presented, and that same be included in the final Management Letter. Ms. Vinogradov additionally presented for the Board's review correspondence from BKD, a copy of which is included in **Exhibit G**, summarizing various information that BKD is required to communicate to the Board as part of its audit of the District's financial statements.

STATUS OF CONTINUING DISCLOSURE REPORT

Mr. Yeates advised the Board that the annual continuing disclosure report, due March 30, 2020, will be filed by the District's disclosure counsel after the audit has been finalized.

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Yeates informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to annually submit information to the Comptroller for inclusion in the Special Purpose District Public Information Database no later than April 1st of each year. Mr. Yeates recommended that BKD be authorized to prepare and submit the information for the 2020 reporting period. After discussion on the matter, it was moved by Director Ruske, seconded by Director Olsen and unanimously carried, that BKD be authorized to prepare the required information for the 2020 reporting period and submit same to the Comptroller for inclusion in the Special Purpose District Information Database no later than April 1, 2020.

ADOPTION OF RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Yeates advised that pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. Mr. Yeates then presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted to the list previously adopted by the Board, copies of which are attached hereto as **Exhibit H**. Mr. Yeates further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Ruske moved that (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) the President and Secretary be authorized to execute same. Director Battistini seconded said motion, which unanimously carried.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board discussed obtaining insurance proposals for the 2020-2021 term. Mr. Yeates advised the Board that the District's current insurance coverages, through Arthur J. Gallagher & Co. ("AJG"), are set to expire on March 31, 2020. After discussion on the matter, the Board authorized SPH to request a renewal proposal from AJG for the District's property, comprehensive boiler and machinery, general, hired/non-owned automobile, commercial umbrella and directors' and officers' liability policies, Directors Position Schedule Bond, Public Employee Blanket Bond and all other policies for the term commencing April 1, 2020.

ENGINEER'S REPORT

Mr. Safe presented to and reviewed with the Board a written Engineer's Report, dated January 8, 2020, a copy of which is attached hereto as **Exhibit I**, relative to the status of various engineering and construction projects within the District, and discussed the matters contained

therein. In connection therewith, Mr. Safe presented to and reviewed with the Board the bid tabulation for the recoating of Ground Storage Tank Nos. 1 and 2 ("GST Nos. 1 and 2") and Hydro-Tank Nos. 1 and 2 ("HT Nos. 1 and 2") at Water Plant No. 1 ("WP No. 1"), a copy of which is included with the Engineer's Report, and requested that the Board concur in No. 34's award of contract to DSP Industrial ("DSP"), the second lowest base bidder with a base bid in the amount of \$370,000. Mr. Safe noted that none of the supplemental bid items are to be included in the contract. He advised the Board that the lowest bidder, McCrory-CTI Services, submitted an unqualified bid. After a lengthy discussion, it was moved by Director Olsen, seconded by Director Ruske and unanimously carried, that the Board concur in the award of contract for the recoating of GST Nos. 1 and 2 and HT Nos. 1 and 2 at WP No. 1 to DSP in the base bid amount of \$370,000, excluding the supplemental bid items, as recommended by BGE, subject to (a) Director Handal's review and approval of DSP's contractor qualifications, and (b) receipt of written confirmation from DSP that DSP will honor the originally intended bid price for supplemental items, in the event that any be required.

CHAMPIONS HYDRO-LAWN, INC. ("CHAMPIONS") MAINTENANCE OPERATIONS AT LITTLE PRONG CREEK

Mr. Yeates presented to and reviewed with the Board a Detention and Drainage Facilities Report dated January 8, 2020, prepared by Champions, for Little Prong Creek and corresponding photographs, a copy of which is attached hereto as **Exhibit J**. With regard to the proposed erosion repairs to Little Prong Creek at Fry Road, Mr. Safe advised the Board that BGE has been approached by Double Oak Erosion regarding a proposed erosion repair system new to the Houston area but which has been successfully utilized in Florida for many years. He reported that BGE has requested a quote and will present more detailed information regarding the proposed technology at the Board of Directors meeting scheduled for February 5, 2020.

Director Ruske exited the meeting during the above discussion.

STORMWATER MANAGEMENT PROGRAM ("SWMP")

The Board next considered the status of the District's SWMP. Mr. Yeates advised the Board that a representative of SWS will attend the February 5, 2020, Board meeting to provide further updates and present an annual report for consideration and approval by the Board.

Ms. Flores exited the meeting, and Director Ruske reentered at this time.

OPERATIONS REPORT

Ms. May presented to and reviewed with the Board the Operations and Maintenance Report ("O&M Report") for the month of November 2019, a copy of which is attached hereto as **Exhibit K**. Ms. May reported to the Board that the District had approximately 94% water accountability for the reporting period, discussed repairs made throughout the District, and reviewed with the Board an inspection report from Landscape Images of Texas, relative to the District's park facilities, a copy of which is attached to the O&M Report. Ms. May also presented five (5) accounts to be referred to collections in the amount of \$965.85.

Ms. May next advised the Board that Southern Flowmeter, Inc. ("Southern Flowmeter") has completed the annual testing of the District's commercial water meters. In connection therewith, Ms. May presented to and reviewed with the Board a report prepared by Southern Flowmeter, a copy of which is attached to the O&M Report, recommending repair of eight (8)

commercial meters in the total estimated amount of \$2,870.

In connection with the District's participation in the 2020 Larry's Toolbox program, Ms. May presented samples of water conservation brochures provided by the Texas Water Development Board, copies of which are attached to the O&M Report, which will be printed and used as inserts in upcoming water bills and as handouts at various community events. She advised the Board that the cost for printing is \$660.

Ms. May next reported to the Board that Inframark has received a request from District customer Rothchild Moore Investments, LP ("Rothchild"), for the property located at 8945 South Fry Road, for an adjustment to its water bill which was abnormally high due to a leak, which leak has since been repaired. Ms. May asked that the Board consider authorizing Inframark to bill Rothchild at the District's lowest tier rate. A discussion then ensued regarding the facts and circumstances surrounding the leak and Rothchild's request.

Ms. May next advised the Board that the four (4) large signs at the District's Family and Dog Parks are in serious disrepair and requested that the Board authorize Inframark to replace and install new signs for an estimated cost of \$2,846.34.

With regard to the replacement of lift pump no. 1 at Lift Station No. 2, Ms. May advised the Board that, although the lift pump's seven-year warranty period is still in effect, the District's insurance will not cover full replacement of the pump as the warranty coverage is prorated. Ms. May reported that Inframark is in the process of filing an insurance claim in connection with the failed lift pump, as previously authorized by the Board.

After discussion, Director Handal moved that the Board: (i) authorize Inframark to send five (5) accounts to collections, as detailed above; (ii) authorize Southern Flowmeter to perform repairs to eight (8) commercial water meters, as detailed in the O&M Report; (iii) approve printing of water conservation brochures at a cost of \$660; (iv) deny Rothchild's request for adjustment of its high water bill for the property located at 8945 South Fry Road; and (v) authorize Inframark to replace and install four (4) signs at the District's Family and Dog Parks for an estimated cost of \$2,846.34. Director Olsen seconded the motion, which unanimously carried.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. In connection therewith, Mr. Yeates advised that he had nothing further to report to the Board other than the items previously discussed.

SUPPLEMENTAL AGENDA

The Board considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order"), a copy of which is attached hereto as **Exhibit L**, calling such election to be held on May 2, 2020. It was noted that the terms of office of Directors Eynon and Olsen expire in May of this year. In reviewing the Order with the Board, Mr. Yeates advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Melanie Walsh as such agent (the "Election Agent"). Mr. Yeates further advised the Board that notice of the Directors Election must be given in accordance with the requirements of the Texas

Election Code. Mr. Yeates advised the Board that notice of the Directors Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. He further advised that, in addition to the above, notice must be posted at the location used for posting notices of the meetings at least twenty-one (21) days before the election. Following discussion of the options, the Board concurred that notice of the Directors Election be given by posting same at the locations where notice of meetings of the Board are posted, as such posting meets all legal requirements under the Texas Election Code. After discussion on the matter, Director Olsen moved that (i) said Order be passed and adopted, (ii) the President and Secretary be authorized to execute the Order, and (iii) the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Ruske seconded said motion, which unanimously carried. Mr. Yeates advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 14, 2020, the Board may thereafter cancel the Directors Election in accordance with the Texas Election Code.

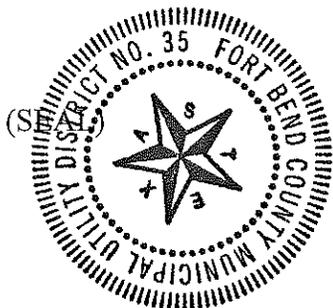
The Board considered the establishment of fees to be paid to officials for the Directors Election. Mr. Yeates advised the Board that in accordance with the Texas Election Code, the rate of pay for judges and clerks shall be determined by the Board, but shall not be less than the federal minimum wage rate. After discussion on the matter, Director Olsen moved that the judges and clerks for the Directors Election, including early voting clerks, be paid \$20.00 per hour. Director Ruske seconded said motion, which unanimously carried.

FUTURE AGENDA ITEMS

The Board considered items to be placed on future agendas. After consideration, no specific items other than routine and ongoing matters and those previously discussed at the day's meeting were requested.

ADJOURNMENT OF MEETING

There being no further business to come before the Board, Director Olsen moved that the meeting be adjourned. Director Handal seconded said motion, which unanimously carried.



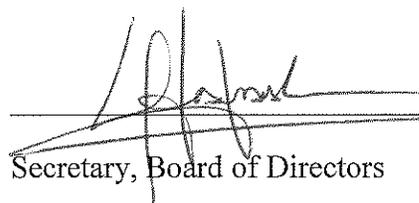

Secretary, Board of Directors

TABLE OF EXHIBITS

- Exhibit A: FBCCO Monthly Activity Report
- Exhibit B: Tax Assessor-Collector's Report
- Exhibit C: Resolution Concerning Exemptions from Taxation
- Exhibit D: Resolution Authorizing Additional Penalty on Delinquent Personal Property Taxes
- Exhibit E: Delinquent Tax Report
- Exhibit F: Bookkeeper's Report
- Exhibit G: Draft Audit Report; draft Management Letter; and correspondence from BKD in connection with the District Audit Report for fiscal year ended September 30, 2019
- Exhibit H: Resolution Adopting List of Qualified Brokers
- Exhibit I: Engineer's Report
- Exhibit J: Champions Maintenance Report
- Exhibit K: Operations and Maintenance Report
- Exhibit L: Order Calling Directors Election