

MINUTES

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2

September 19, 2018

The Board of Directors (the "Board") of Fort Bend County Levee Improvement District No. 2 (the "District"), met in regular session, open to the public, on the 19th day of September, 2018, at the William "Bill" Little Pump Station (aka Pump Station A), 4435 Greystone Way, Sugar Land, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

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| Andre D. McDonald | President |
| Bryan K. Chapline | Vice President |
| Glen R. Gill | Secretary |

and all of said persons were present except for Director Gill who attended by teleconference, thus constituting a quorum.

Also present for all or part of the meeting were James Patterson, Fort Bend County Commissioner; Jeffrey Janecek of the Fort Bend County Drainage District ("FBCDD"); Joe Zimmerman, Mayor of the City of Sugar Land (the "COSL"); Jorge Alba of the COSL; Mark McGrath of McGrath & Co., PLLC ("McGrath"); Jorge Diaz of McLennan & Associates, LP; Michelle Guerrero of Bob Leared Interests, Inc.; David Beyer of Stormwater Solutions, LP; Mike Stone and Phil Martin of Mike Stone Associates, Inc.; Russell Jones of The Holoway Jones Law Firm, PLLC; Anthea Moran of Masterson Advisors LLC; Bob Hodge and Andrew Nugent of Tech3 Business Systems, LLC; Mike Thelen and Tyler Werlein of LID Solutions, LLC ("LID Solutions"); Craig Kalkomey of LJA Engineering, Inc. ("LJA"); and David Oliver and Justine M. Cherne of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENTS

Director McDonald opened the meeting to receive public comments. Commissioner Patterson addressed the Board and stated that members of the public have contacted him to express concerns regarding the District's proposed south and east levee rehabilitation and improvements project. He requested that the Board meet with representatives from Fort Bend County and the COSL to discuss the proposed project prior to moving forward.

Mayor Zimmerman addressed the Board and stated that he agreed with Commissioner Patterson's request. Mayor Zimmerman requested that the Board consider establishing a joint operations board for the First Colony - Missouri City (also known as SugarStone) perimeter levee system. He offered to host any meetings and

coordinate with Fort Bend County on the effort. Commissioner Patterson stated that Mr. Janecek is Fort Bend County's designated representative for overseeing all of the levees in Fort Bend County.

Mayor Zimmerman reported that the COSL adopted a 2018 tax rate of \$0.31762.

Mr. Stone distributed a copy of an exhibit of a survey of freeboard levels for Fort Bend County levees during Hurricane Harvey as reported by the engineers of the municipal utility districts and levee improvement districts containing levee facilities. He also distributed copies of the Perimeter Levee Operation and Maintenance Agreement and FBCDD's Drainage Criteria Manual. Discussion ensued regarding the accuracy of the freeboard levels included in the exhibit, a copy of which is attached.

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

CONSENT AGENDA:

Approve Minutes;

Financial and Bookkeeping matters, including Payment of District's Bills; and
Tax Assessment and Collections Matters, including Payment of Tax Bills.

Director McDonald noted corrections to the minutes of the Board's meeting held August 15, 2018. Discussion ensued regarding an invoice submitted by Costello, Inc. Mr. Martin responded to Director McDonald's question regarding the absence of a fire alarm at the Michael "Mike" Thelen Pump Station (aka Pump Station F) and stated that research regarding fire alarm installation options are ongoing.

Following review and discussion, Director Chapline moved to: (1) approve the items included on the Consent Agenda, including the minutes of the Board's meetings held August 15, 2018, as corrected, and September 5, 2018; and (2) direct that the bookkeeper withhold payment of Costello, Inc.'s invoice, pending receipt of all of the District's records. Director McDonald seconded the motion, which passed by unanimous vote. Copies of the bookkeeper's and tax assessor/collector's reports are included in the attached Board Book.

AUTHORIZE AUDITOR TO CONDUCT AUDIT

Mr. McGrath presented an engagement letter for auditing services and reviewed the rate schedule. He discussed conducting the District's audit for fiscal year end September 30, 2018, and stated that the estimated fee for conducting the audit is \$14,500.00. Following review and discussion, Director Chapline moved to: (1) authorize execution of the engagement letter with McGrath for auditing services for the District as presented; and (2) authorize McGrath to conduct the District's audit for fiscal year end September 30, 2018. Director McDonald seconded the motion, which was

approved by unanimous vote.

ADDITIONAL TAX ASSESSMENT AND COLLECTION MATTERS

There were no additional tax assessment or collection matters.

ADDITIONAL FINANCIAL AND BOOKKEEPING MATTERS

There were no additional financial or bookkeeping matters.

BUDGET FOR FISCAL YEAR END SEPTEMBER 30, 2019

The Board reviewed copies of a draft General Fund Operating Budget and a draft Capital Improvement Budget for fiscal year ending September 30, 2019, copies of which are included in the attached Board Book. Discussion ensued regarding current and future operation and maintenance costs and the status of District capital improvement plan projects. Additional discussion ensued regarding amending the District's current budget for fiscal year end September 30, 2018. Following review and discussion, the Board concurred to schedule a budget workshop at 8:30 a.m. on September 5, 2018, at the William "Bill" Little Pump Station.

AMENDMENT TO AGREEMENT FOR SERVICES FOR BOOKKEEPER

Mr. Diaz presented an Amendment to Agreement for Services for Bookkeeper, a copy of which is included in the attached Board Book. Mr. Diaz responded to Board members' questions regarding the proposed amendment and the quality of bookkeeping services. Following discussion, the Board concurred to review the proposed Amendment to Agreement for Services for Bookkeeper at the budget workshop scheduled for September 5, 2018.

RESOLUTION ADOPTING GUIDELINES AND CRITERIA GOVERNING ADDED VALUE TAX ABATEMENT AGREEMENTS

Mr. Oliver reported that the District's Guidelines and Criteria Governing Added Value Tax Abatement Agreements expire every two years. He presented a Resolution Adopting Guidelines and Criteria Governing Added Value Tax Abatement Agreements and stated that the proposed guidelines and criteria have been drafted with no changes to the prior guidelines and criteria. He stated that each request for tax abatement presented to the District is subject to the Board's discretion. Following review and discussion, Director Chapline moved to adopt the Resolution Adopting Guidelines and Criteria Governing Added Value Tax Abatement Agreements as presented. Director McDonald seconded the motion, which was approved by unanimous vote. A copy of the resolution is included in the attached Board Book.

STORM WATER MANAGEMENT PLAN, TRAINING, AND PUBLIC COMMENTS

Mr. Beyer updated the Board on the District's Storm Water Management Program ("SWMP") in compliance with the Texas Commission on Environmental Quality's (the "TCEQ") Phase II MS4 Permitting requirements. Mr. Beyer began his training session with the Board and the District's consultants regarding post-construction stormwater management in new development and redevelopment, including significant applicable changes to the MS4 permitting requirements. He reviewed a summary of Year Five Goals and Training under the SWMP and Chapter 4 of the District's Stormwater Guidance Manual, copies of which are attached. Mr. Beyer discussed anticipated requirements for the MS4 Permit after renewal. Following review and discussion, Director Chapline moved to authorize submission of Chapter 4 of the District's Stormwater Guidance Manual and the District's SWMP Year Five Annual Report to the TCEQ by the December 31, 2018, deadline. Director McDonald seconded the motion, which carried unanimously.

GENERAL MANAGER MATTERS

Mr. Stone and Mr. Martin reported on General Manager matters, including the status of current and future District Capital Improvement Plan projects. A copy of the General Manager's report is included in the attached Board Book.

Mr. Martin reported on public communication matters. He discussed coordination with the Federal Emergency Management Agency ("FEMA") on a virtual reality flood education tool for use during a proposed fall public meeting.

Mr. Stone reported he is attending a public meeting in coordination with Mr. Alba to discuss the status of post-Harvey projects. Director McDonald commented on a letter to the editor of a newspaper that was complimentary to Mr. Stone's efforts.

Mr. Martin reported that an advertisement providing registration information for the District's text and email message alerts has been placed in the First Colony Community Association's monthly newsletter beginning October, 2018, for one year in the amount of \$5,844.00. A copy of the advertisement is included in the attached Board Book.

Mr. Martin reviewed proposed topics for articles to be included in the District's fall 2018 newsletter.

Mr. Martin reported on the status of the District's pilot project to install articulated concrete block material on top of a portion of the District's west levee from the William "Bill" Little Pump Station to US Highway 59 and project to construct overflow parking at the pump station and an additional levee access point near US Highway 59 (the "West Levee Top Armoring Pilot Project"). Mr. Martin reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$66,645.00 and Change

Order No. 3 to the contract with Lecon, Inc. for the West Levee Top Armoring Pilot Project to increase the contract in the amount of \$1,000.00. The Board determined that Change Order No. 3 is beneficial to the District. Discussion ensued regarding the color of the installed block and use of stormwater quality materials for the site. After review and discussion, Director Chapline moved to approve: (1) Pay Estimate No. 1 in the amount of \$66,645.00; and (2) Change Order No. 3 in the amount of \$1,000.00 as an increase to the contract with Lecon, Inc., based upon the Board's finding that the change order is beneficial to the District and the General Manager's recommendations. Director McDonald seconded the motion, which passed by unanimous vote. Copies of the pay estimate and change order are included in the attached Board Book.

Mr. Martin reported on the status of the District's project to rehabilitate Ditches B, B-1, C, C-1, and E, including the COSL's outfall rehabilitation project (the "Interior Ditch Rehabilitation Project"). Mr. Martin reviewed and recommended approval of Pay Estimate No. 3 in the amount \$416,636.46 and Change Order No. 3 to the contract with Texas Wall and Landscape LLC for the Interior Ditch Rehabilitation Project to increase the contract in the amount of \$1,000.00. The Board determined that Change Order No. 3 is beneficial to the District. After review and discussion, Director Chapline moved to approve: (1) Pay Estimate No. 3 in the amount of \$416,636.46; and (2) Change Order No. 3 in the amount of \$1,000.00 as an increase the contract with Texas Wall and Landscape LLC, based upon the Board's finding that the change order is beneficial to the District and the General Manager's recommendations. Director McDonald seconded the motion, which passed by unanimous vote. Copies of the pay estimate and change order are included in the attached Board Book.

The Board discussed design considerations related to the District's proposed rehabilitation and improvement project for the District's south and east levees, including options for installing flood gates across the proposed road crossings. Discussion ensued regarding the variances between As-Built levee elevations and the levee elevations included in Halff and Associates, Inc.'s preliminary results for the Brazos River Authority's Basin Floodplain Protection Study. Additional discussion ensued regarding the benefits and costs of certifying the District's levee independently of the perimeter levee system.

Mr. Stone updated the Board on AECOM's preparation of a draft Preliminary Engineering Report to include a series of alternatives and preliminary design for the District's proposed third storm water pump station and ancillary facilities. Discussion ensued regarding application of Fort Bend County's drainage criteria to the proposed design of the pump station. Mr. Jones discussed right-of-way procedures related to the District's proposed third storm water pump station and ancillary facilities, including ongoing appraisal services.

Mr. Stone reported on the status of Hatch Associates Consultants, Inc.'s preparation of plans and specifications for the pump replacement project at the Michael

"Mike" Thelen Pump Station (aka Pump Station F), including modeling of the current and proposed pump configurations by Freese & Nichols, Inc. ("FNI"). He discussed proposed pump specifications and pump manufacturing lead times. Mr. Martin reported that current pump no. 2 continues to be inoperable and may need to be sent back to the manufacturer for repair.

Mr. Martin reported on the schedules for delivery and installation of rainfall and stream gauge equipment pursuant to the District's Interlocal Agreement for Installation and Maintenance of Seven (7) Gauge Stations with the COSL and participation in the Harris County Flood Warning System. He reported on the status of LJA's design phase services for electrical facilities for camera and gauge sites for the District's ditches.

Mr. Martin reported on the status of grant awards from FEMA to reimburse the District for costs related to Hurricane Harvey.

Mr. Martin stated that a progress report on FNI's hydrologic and hydraulics analyses of the District's drainage system is included in the attached Board Book.

Mr. Martin reported on District operation and maintenance activities, including repair of the main breaker in the switch gear of the natural gas generator and responded to Board members' questions.

Mr. Martin stated that a tour of the First Colony - Missouri City (also known as SugarStone) perimeter levee system is scheduled on October 5, 2018.

Mr. Martin updated the Board on the status of HR Wallingford Group Ltd.'s Phase 2 fragility, reliability, and resiliency analyses of the District's levee system.

2018 TAX RATE

Ms. Moran reviewed a 2018 No Growth Cash Flow Analysis and discussed tax rate options. A copy of the analysis is attached. Discussion ensued regarding the anticipated schedule and phased financing for capital improvements and the District's budget for fiscal year ending September 30, 2018. Following review and discussion, the Board concurred to discuss a proposed 2018 tax rate at the budget workshop scheduled for September 5, 2018.

AMENDED CONTRACT WITH LID SOLUTIONS

The Board concurred to table this item.

OPERATION OF DISTRICT FACILITIES

There were no additional operation matters. A copy of the operator's report is included in the attached Board Book.

ENGINEERING MATTERS

Mr. Kalkomey reported that a response to the United States Army Corps of Engineer’s (“USACE”) final report on the Initial Eligibility Inspection of the First Colony - Missouri City (also known as SugarStone) perimeter levee for the Rehabilitation and Inspection Program was submitted August 27, 2018. Discussion ensued regarding a change in USACE personnel.

Mr. Kalkomey reported he is monitoring two proposed sanitary sewer construction projects to be performed by the COSL within existing utility easements located inside the Texas Department of Transportation’s right-of-way.

DEEDS, EASEMENTS, RIGHT OF ENTRY, AND ENCROACHMENTS

There was no discussion regarding this item.

CONFERENCES AND LEGISLATIVE MATTERS

The Board reviewed a calendar of upcoming conferences and discussed legislative and regulatory development matters related to federal levee, floodplain management, and flood insurance matters with potential significant impacts on Fort Bend County levees. Director McDonald reported on the District’s presentation given at the National Waterways Conference.

MEETING SCHEDULE

The Board concurred to hold a budget workshop at 8:30 a.m. on September 26, 2018, at the William “Bill” Little Pump Station.

CONVENE EXECUTIVE SESSION

The Board did not convene in executive session.

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



Secretary, Board of Directors

(SEAL)



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