

MINUTES

FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 2

October 9, 2019

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 9th day of October, 2019, 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:

Bryan K. Chapline	President
Sam Galyon	Vice President
Rashid Khokhar	Secretary
Glen R. Gill	Director
Andre D. McDonald	Director

and all of said persons were present, thus constituting a quorum.

Also present for all or part of the meeting were Danielle Saldua-Garrison of Fort Bend County Commissioner Ken DeMerchant's office; Phil Martin and Jim Kidda of Mike Stone Associates, Inc. ("MSAi"); Anthea Moran of Masterson Advisors LLC; Michelle Guerrero of Bob Leared Interests, Inc.; Bob Hodge and Philip Nickels of Tech3 Business Systems, LLC; Jason Klump, Tyler Werlein, and Mike Thelen of LID Solutions, LLC; Craig Kalkomey of LJA Engineering, Inc. ("LJA"); and David Oliver and Justine M. Cherne of Allen Boone Humphries Robinson LLP.

GENERAL MANAGER MATTERS

Mr. Martin reported that three bids for Contract No. 3, for construction of the pump station for the District's third storm water pump station and ancillary facilities project ("Third Pump Station") were received on October 3, 2019. Mr. Martin reviewed an unofficial bid tabulation provided by AECOM, the design engineer for the Third Pump Station, a copy of which is included in the attached Board Book. Mr. Martin stated that AECOM's estimated cost for Contract No. 3 was \$28,500,000.00 and the base bid from the apparent low bidder, Flintco, LLC ("Flintco"), was \$32,056,155.08. He stated that the additional work items included in the bid are unit price quantities that will only be used if needed. Mr. Martin reported on a brief meeting between MSAi, Flintco, and AECOM. He stated that AECOM is continuing to verify the bids and qualifications and is not ready to recommend award of the contract.

Mr. Martin reviewed an updated Series 2019 Bond proceeds budget and cash flow schedule for the Third Pump Station, a copy of which is included in the attached Board Book. Discussion ensued regarding the bid amount for Contract 3 and the

estimated total cost of the Third Pump Station. Additional discussion ensued regarding holding a future workshop to revise the project scopes and schedules for Third Pump Station Contract No. 4, for construction of the administration and operations building and Contract No. 5, for levee armor installation in an effort to decrease expenses.

2019 TAX RATE

Mr. Martin reviewed the District's adopted General Fund Operating Budget and Capital Improvement Fund Budget for fiscal year end September 30, 2020, copies of which are included in the attached Board Book. Discussion ensued regarding a proposed review of the Capital Improvement Fund Budget to decrease expenses to achieve a lower tax rate as requested by Fort Bend County Commissioner DeMerchant. Director McDonald recommended cutting the Construction Manager's budget in half. Mr. Martin explained the services included in the Construction Manager's budget and the differences between Construction Manager services and General Manager services. He stated that if the District desires MSAi to perform less Construction Manager services, MSAi will provide the level of services desired. Mr. Martin stated that the projects included in the District's Capital Improvement Fund Budget for fiscal year end September 30, 2020, are approved by the Board and currently in process.

Mr. Oliver explained the differences in the requirements for use of the maintenance and operations and debt service components of the District's total tax rate. In response to Board members' inquiries, Ms. Moran stated that approximately every \$500,000.00 has a \$0.01 impact on the District's tax rate.

Discussion ensued regarding utility relocations needed from the First Colony Community Services Association, Inc. and the Fort Bend Independent School District ("FBISD") and their impact on the construction schedule for the Third Pump Station. Mr. Martin reported that FBISD is scheduled to review an easement required by CenterPoint for relocating an overhead electrical line from the Third Pump Station site on November 18, 2019.

Ms. Moran discussed the tax levy process and the anticipated impact of newly enacted legislation on the District's 2020 tax levy procedures.

Ms. Moran presented and reviewed with the Board a No Growth Cash Flow Analysis that includes an anticipated Series 2020 Bond issue in the amount of \$27,000,000 per the District's Capital Improvement Plan. Ms. Moran recommended that the Board levy a tax rate of \$0.093 per \$100 of assessed valuation to provide for the District's debt service requirements. A copy of the No Growth Cash Flow Analysis is attached. A schedule of Series 2020 Bond Fund Capital Project Cost Estimates is included in the attached Board Book.

Ms. Moran reviewed an analysis of 2019 maintenance tax rate options, a copy of

which is attached. She stated that if the District does not increase its tax rate, no reserve or surplus funds will be generated. She discussed the importance of maintaining an appropriate level of reserve funds.

Discussion ensued regarding a proposed additional review of the District's General Fund Operating Budget to decrease expenses.

Discussion ensued regarding the status of current and future capital improvement plan projects and the Board's commitment to its residents to perform the projects to improve drainage in the District.

Discussion ensued regarding tax rates being adopted by other Fort Bend County Levee Improvement Districts, the District's historical and current tax rate, the District's assessed property values, and tax rate hearing publication requirements.

Following review and discussion, Director Galyon moved to set a public hearing date to adopt a proposed total tax rate of \$0.157 per \$100 of assessed valuation at 8:30 a.m. on Wednesday, November 6, 2019, and authorize Bob Leared Interests, Inc. to publish the required notice of the hearing. Director Chapline seconded the motion. Discussion ensued regarding publishing a tax rate that does not increase taxes and decreasing the District's General Fund Operating Budget and delaying and/or revising proposed capital improvement projects. Additional discussion ensued regarding unknown contingencies for the District's current capital improvement projects and maintaining an appropriate level of reserve funds.

Discussion ensued regarding proposed revisions to the project scopes and schedules for Third Pump Station Contract No. 4, for construction of the administration and operations building and 2020 capital improvement projects for additional reductions in expenses. Additional discussion ensued regarding the Board's commitment to its residents to perform the 2020 capital improvement projects to improve drainage in the District to meet current design criteria incorporating the new Atlas 14 data, which increased the 100-year 24-hour rainfall total from 12.5 to 16.23 inches.

Discussion ensued regarding scheduling a workshop to review proposed revisions to the District's General Fund Operating Budget and the budgets for current and proposed capital improvement projects to decrease expenses.

Following review and discussion, Director Galyon amended his motion and moved to set a public hearing date to adopt a proposed total tax rate of \$0.149 per \$100 of assessed valuation at 8:30 a.m. on Wednesday, November 6, 2019, and authorize Bob Leared Interests, Inc. to publish the required notice of the hearing. Director Chapline seconded the motion, which passed by majority vote, with Directors Galyon, Chapline, and Khokhar in favor and Directors Gill and McDonald opposed.

Director Chapline requested that an item be added to the next agenda to review and consider approval of Directors' attendance at conferences because he is unclear whether the Board has approved attendance at any conferences after the Public Funds Investment Act Seminar and the Texas Water Conservation Association's Fall Meeting. Discussion ensued.

GENERAL MANAGER MATTERS (CONTINUED)

Mr. Martin reviewed proposed revisions to the tax rate hearing notice and articles for inclusion in the District's fall newsletter. A copy of the draft newsletter is included in the attached Board Book.

DRAFT REPORT ON UNITED STATES ARMY CORPS OF ENGINEERS' ("USACE")
SCREENING LEVEL RISK ASSESSMENT FOR THE PERIMETER LEVEE SYSTEM

The Board reviewed USACE's draft reports for an initial levee screening level risk assessment and routine Continued Eligibility Inspections performed on the District's west and Oyster Creek levees and the First Colony - Missouri City (aka SugarStone) perimeter levee on July 18, 2019, and LJA's comments to the reports. Copies of the reports and LJA's comments are included in the attached Board Book. Mr. Kalkomey stated that once the reports are finalized, USACE will provide a draft initial risk assessment for Board review prior to finalizing the full risk assessment report and assigning a Levee Safety Action Classification to the perimeter levee. Mr. Kalkomey stated that there are a lot of unknowns regarding USACE's methodology and proposed procedures. He stated that Matt Hunn of USACE stated that he wanted the perimeter levee participants to be engaged in the process.

Discussion ensued regarding the inaccuracies contained in the reports for the District and the superior condition of the District's levee compared to the other perimeter levee participants. Mr. Kalkomey responded to questions regarding comparison of the draft reports for the other perimeter levee participants with the report for the District. Additional discussion ensued regarding conducting the Phase 2 perimeter levee fragility, reliability, and risk analyses.

Director McDonald presented correspondence from USACE regarding submitting applications for rehabilitation assistance from USACE for repair of damages due to Tropical Storm Imelda. Mr. Martin stated there were no damages to the District's facilities caused by Tropical Storm Imelda. The Board requested that notification of the District's official address for correspondence be sent to USACE.

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

Paulid W. Mohler
Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Board Book.....	1
No Growth Cash Flow Analysis and an analysis of 2019 maintenance tax rate options	2