

FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 35

Minutes of Meeting of Board of Directors June 1, 2016

The Board of Directors ("Board") of Fort Bend County Municipal Utility District No. 35 ("District") met on June 1, 2016, at 1300 Post Oak Boulevard, Suite 1400, Houston, Harris County, Texas 77056, in accordance with the duly posted notice of 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
Esther Boyer, Secretary
Sergio Handal, Assistant Secretary
Jeffrey McClean, Assistant Secretary

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

Also present were Esther Flores and Laura Flores of Tax Tech, Inc. ("Tax Tech"); Richard Rankin of Severn Trent Environmental Services, Inc. ("ST"); Jeff Safe of Brown & Gay Engineers, Inc. ("BGE"); Cory Burton of Municipal Accounts & Consulting, L.P. ("MAC"); Jeremy Roach of Apollo IT Consulting ("Apollo"); Anthea Moran of FirstSouthwest, a division of Hilltop Securities ("FSW"); Michelle Valencia of Wells Fargo Bank, N.A. ("Wells Fargo"), who entered later in the meeting as noted herein; Erica Slater of Principal Management Group of Houston ("PMI"), Community Manager for Seven Meadows Community Association, Inc. ("Seven Meadows"); Richard Van den Bosch, Randy Michetti, and Alan DeLisle, residents of the District; and Peter Harding, Rick Barber, and Katie Mercer of Schwartz, Page & Harding, L.L.P. ("SPH").

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

APPROVAL OF MINUTES

As the first order of business, the Board considered approval of the minutes of its meetings held on May 4, 2016, and May 18, 2016. After review and discussion, Director Battistini moved that the minutes for said Board meeting be approved, as written. Director Boyer seconded said motion, which unanimously carried.

COMMENTS FROM THE PUBLIC

The Board considered comments from the public. In that regard, Mr. Van den Bosch introduced himself, Mr. Michetti and Mr. DeLisle to the Board. Mr. Safe noted that he had been contacted by Mr. Van den Bosch regarding a drainage issue in the vicinity of Cabrillo Landing Court. He noted that a year or two ago a drainage inlet was installed to help alleviate standing water that was accumulating behind the houses on Cabrillo Landing Court after rain events. He noted that ST clears debris from the inlet every quarter or on an as needed basis. Mr. Safe then provided the Board with background on the matter and noted that Taylor Woodrow purchased 5

5 acres of land from the Meadowbrook Farms Golf Course ("Golf Course"). Mr. Safe noted the drainage issue was not occurring on the 5 acres, but instead on the 1.5 acres of land that the Golf Course owns, which drain through the 5 acres to the District's storm sewer system.

Mr. Van den Bosch stated that he contacted the Golf Course to see if they would be willing to maintain the area in question and have the drainage issue fixed, to which the Golf Course informed him they were not willing. He noted the Golf Course informed him that it did not have the resources or funds available to fix the drainage issue. Mr. Van den Bosch queried the Board as to what the District could do in order to have the drainage issue resolved. Mr. Safe responded by stating that the District would need the Golf Course's consent in order to go onto the land to figure out what could be done to help alleviate the drainage issue. After a lengthy discussion regarding same, Director Boyer moved that BGE contact the Golf Course to inquire if they would grant BGE permission to perform a topography survey in order to determine the extent of the drainage issue and how said issue can be resolved. Director Ruske seconded said motion, which unanimously carried.

DISTRICT WEBSITE

The Board next discussed the status of the District's website. In connection therewith, Mr. Roach advised the Board that the District's website is in operation and in full compliance with all regulations. Mr. Roach noted that the majority of users accessed the District's website on a mobile device. He further noted that the District may want to consider authorizing Apollo to design a mobile app for users. The Board deferred consideration of same at this time.

Director Ruske requested that Apollo place the District's trash and recycling collection days on the website's home page. She further requested that Apollo place Republic's holiday schedule on the website as well so that users may know when garbage will not be picked up.

REPUBLIC SERVICES OF HOUSTON ("REPUBLIC")

Mr. Harding presented to and reviewed with the Board a Garbage & Recycling Report for April 2016, a copy of which is attached hereto as **Exhibit A**. Mr. Harding noted that, per the Board's previous request, a representative from Republic was supposed to be in attendance at today's meeting, however no representative was present.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Flores presented to and reviewed with the Board the Tax Assessor-Collector's Report for the month ending May 31, 2016, attached hereto as **Exhibit B**, including disbursements presented for payment and a list of delinquent taxpayers dated May 26, 2016. After discussion, it was moved by Director Boyer, seconded by Director Ruske and unanimously carried, that the Tax Assessor-Collector Report be approved, as presented, and that the disbursements identified in said report be approved for payment from the tax account.

Ms. Valencia entered the meeting during discussion.

DISCUSSION OF DEPOSITORY FOR TAX ACCOUNT

Mr. Harding reminded the Board that in order to ensure compliance with Chapter 2257 of the Texas Government Code (the "Public Funds Collateral Act"), which requires that uninsured deposits of public funds be secured by certain forms of collateral, the District previously entered into a Public Funds Depositor Collateral Security Agreement (the "Collateral Security Agreement") with Wells Fargo Bank, N.A. ("Wells Fargo"), which serves as the depository bank for the District's tax funds. He further advised that Wells Fargo is no longer willing to accept the current form of Collateral Security Agreement, and that in order to continue using Wells Fargo as its depository for tax funds, the District must enter into an agreement in Wells Fargo's prescribed form.

Director McClean next queried Ms. Valencia as to if she had received an answer from Wells Fargo about including a provision in the form of Collateral Security Agreement allowing the District to substitute its form of pledged securities if and when the District so chooses. Ms. Valencia responded that she has not received an answer to date. After a lengthy discussion, Director McClean recommended that SPH include a provision in the District's Collateral Security Agreement allowing the District to request substitution of pledged securities if and when the District so chooses. He noted that if Wells Fargo does not approve of the provision, to make Wells Fargo remove said provision from the form of Collateral Security Agreement. The Board concurred with his recommendation.

SALES AND USE TAX AUDIT REPORT

Mr. Harding reported that a Sales and Use Tax Audit Report was not received this month from B&A Municipal Tax Services, LLC.

DELINQUENT TAX ATTORNEYS' REPORT

Mr. Harding reported that a Delinquent Tax Report was not received this month from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collections attorneys.

ENGINEER'S REPORT

Mr. Safe presented to and reviewed with the Board a written Engineer's Report, dated June 1, 2016, attached hereto as **Exhibit C**, relative to the status of various engineering and construction projects within the District, and discussed the matters contained therein.

Mr. Safe reported to the Board that the repairs to the area of erosion along Little Prong Creek at Katy Gaston Road are complete. He requested that this item be removed from future agendas.

Mr. Safe next reported on the status of the recoating and rehabilitation of WWTP No. 1. He noted that BGE issued the notice to proceed on May 2, 2016.

Mr. Safe noted that the geo tech firm engaged by the Golf Course to perform the lake bore testing has been delayed due to the weather and equipment availability.

With regard to the lack of street lights on Katy-Gaston Road between Fry Road and Cinco Ranch Boulevard, Mr. Safe reminded the Board that CenterPoint provided a detailed quote for the installation of said street lights. After discussion, the Board concurred to go with the decorative arm option street lights for a cost of \$56,090.00 and requested that BGE approach Cinco Southwest Municipal Utility District No. 2 about splitting the initial cost to install said street lights and maintenance costs associated with same.

Mr. Safe then presented to and reviewed with the Board an updated Capital Improvement Plan, a copy of which is attached to the Engineer's Report.

Mr. Safe reminded the Board that Fort Bend County ("County") received a resident request for the installation of a sidewalk from Dillon Creek to Seven Meadows Boulevard. He noted that the County advised it does not install sidewalks and the request was forwarded to BGE. Mr. Safe presented to and reviewed with the Board a cost estimate ST received from Edustrial Solutions regarding same, a copy of which is attached hereto as **Exhibit D**. After a lengthy discussion regarding same, Director Boyer moved that the Board authorize BGE to begin design and construction regarding the installation of a sidewalk from Dillon Creek to Seven Meadows Boulevard. Director Ruske seconded said motion, which unanimously carried.

SUBMISSION OF CRITICAL LOAD STATUS INFORMATION TO THE COUNTY OFFICE OF EMERGENCY MANAGEMENT, PUBLIC UTILITY COMMISSION, AND THE DIVISION OF EMERGENCY MANAGEMENT OF THE GOVERNOR

Mr. Harding advised that Section 13.1396 of the Texas Water Code, as amended, requires the District to update its information identifying the location and description of facilities that have qualified for critical load status and its information regarding emergency contacts (a) annually to each electric utility that provides transmission and distribution service to the District and each retail electric provider that sells power to the District, and (b) immediately upon any change in the information to the above entities, as well as to the office of emergency management of Harris County, the Public Utility Commission of Texas, and the division of emergency management of the Governor. Mr. Rankin advised that ST would provide the annual update and, if required, any changes to the information to the appropriate entities. Following discussion, Director Boyer moved to authorize ST to make such submissions on behalf of the District, as and if necessary. Director Ruske seconded said motion, which unanimously carried.

REQUEST BY SEVEN MEADOWS REGARDING LANDSCAPE SCREEN OF WASTEWATER TREATMENT PLANT NO. 1

Ms. Slater advised the Board that Seven Meadows approached Fort Bend County Municipal Utility District No. 34 ("No. 34") to inquire if they would be willing to equally split the cost of the WWTP No. 1 landscape screen located outside of the plant site with the District and Seven Meadows, per the Board's request. She reminded the Board that on March 22, 2016, she presented a proposal from Earthcare Management ("EM"), to plant twenty-nine Wax Myrtles and seven Live Oaks, install thirty-six bubblers to irrigate the new plants and add necessary soil at an approximate cost of \$15,395.50. Ms. Slater advised the Board that No. 34 agreed to equally split the cost of said project three ways with the District and Seven Meadows. After discussion regarding same, Director Ruske moved that the Board agree to equally split the cost

of said project three ways with No. 34 and Seven Meadows. Director Boyer seconded said motion, which unanimously carried. The Board noted that Seven Meadows should pay for said project and then invoice the District for its share.

CHAMPIONS MAINTENANCE OPERATIONS AT LITTLE PRONG CREEK

Mr. Safe presented to and reviewed with the Board a Detention and Drainage Facilities Report for Little Prong Creek and corresponding photographs prepared by Champions Hydro-Lawn, attached hereto as **Exhibit E**. Said report showed the facilities to be in overall good condition.

STORMWATER MANAGEMENT PROGRAM ("SWMP")

Mr. Safe advised the Board that there are no updates regarding the District's SWMP at this time.

OPERATIONS REPORT

The Board next reviewed the Operations and Maintenance Report ("O&M Report") for the month of April 2016, a copy of which is attached hereto as **Exhibit F**. In connection therewith, Mr. Rankin reported to the Board that the District had approximately 97% water accountability for the reporting period and discussed repairs throughout the District.

Mr. Rankin noted that attached to the O&M Report was a flyer from the North Fort Bend Water Authority ("NFBWA") regarding tips to help conserve water outdoors.

Mr. Rankin then presented to and reviewed with the Board an appeal of District charges, a copy of which is attached to the O&M Report, regarding the 5518 Granite Meadow Drive account. In connection therewith, Mr. Rankin advised the Board that the property owner requested that ST investigate the line, and ST discovered a severe water leak on the customer's side of the meter. The property owner further noted that he has since had said leak repaired and requested an adjustment to the high January 2016 bill. After discussion, Director Boyer moved that the appeal of District charges on the 5518 Granite Meadow Drive account be denied. Director Ruske seconded such motion, which unanimously carried.

Mr. Rankin next advised the Board that there are no accounts under \$25.00 to forward to the uncollectible roll, no appeals of District charges, and no accounts to be forwarded to collections this month.

BOOKKEEPER'S REPORT

Mr. Burton next presented to and reviewed with the Board the Bookkeeper's Report dated June 1, 2016, including a Cash Flow Report, a Fund Balance Summary, a Pledged Securities Report, a Budget Comparison, a District Debt Service Payments Summary, and a Sales Tax Revenue History, a copy of which report is attached hereto as **Exhibit G**. After discussion, Director Ruske moved that that the Bookkeeper's Report be approved and that the disbursements identified therein be approved for payment. Director Boyer seconded said motion, which unanimously carried.

Ms. Moran advised the Board that Hilltop has analyzed the District's options for a cash defeasance. In connection therewith, she presented to and reviewed with the Board a Summary of Outstanding Bonds, attached hereto as **Exhibit H**. Ms. Moran noted that the earliest call date of the District's outstanding Series 2007 bonds is September 1, 2016. She requested items related to the cash defeasance be added to the Board's next meeting agenda.

UNCLAIMED PROPERTY REPORT

The Board considered approval of an Unclaimed Property Report as of March 1, 2016, and the filing of same with the State Comptroller prior to July 1, 2016. In connection therewith, Mr. Burton presented and reviewed with the Board an Unclaimed Property Report, attached hereto as **Exhibit I**, prepared by MAC, which shows that the District has \$1,855.88 to escheat to the State, as highlighted during the Bookkeeper's Report. After discussion, Director Ruske moved that MAC be authorized to file said Report with the State Comptroller prior to July 1, 2016. Director Boyer seconded said motion, which unanimously carried.

VOTING SYSTEM ANNUAL FILING FORM

Mr. Harding requested that the Board authorize SPH to complete a Voting System Annual Filing Form ("Voting Form") on behalf of the District, which will be forthcoming from the Secretary of State's Office. He advised that, pursuant to provisions of the Texas Election Code, each political subdivision in the State of Texas is required to complete and file said Voting Form with the Secretary of State's Office on an annual basis. After discussion on the Voting Form, Director Ruske moved that SPH be authorized to complete said form and that SPH be authorized to file same with the Secretary of State's Office, as required by law. Director Boyer seconded said motion, which unanimously carried.

RECORDS DESTRUCTION REQUEST

Mr. Harding reported that the District's General Records Retention Schedule adopted in connection with its Records Management Program requires that notes taken during meetings and used to prepare the official minutes of Board meetings are to be retained for ninety days after approval of such minutes by the Board. He next presented a request from the Records Management Officer for approval to destroy all such notes from February 6, 2015, to February 3, 2016. After discussion, Director Ruske moved that SPH be authorized to destroy such notes. Director Boyer seconded said motion, which carried unanimously.

ATTORNEY'S REPORT

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

FORT BEND COUNTY CONSTABLE'S OFFICE ACTIVITY REPORT

Mr. Harding presented to and reviewed with the Board an Activity Report from Precinct 3, a copy of which is attached hereto as **Exhibit J**, for the month of May 2016.

APPROVAL OF LARRY'S TOOLBOX PARTICIPATION AGREEMENT

The Board next considered the Larry's Toolbox Program Participation Agreement (the "Agreement") between the District and the North Fort Bend Water Authority ("NFBWA"). In connection therewith, Mr. Harding reviewed the terms of the Agreement with the Board, noting comments to same which have been provided by SPH to the NFBWA, which the NFBWA declined to accept. Following discussion, Director Ruske moved that the Board approve the Agreement as presented and that the President be authorized to execute same on behalf of the Board and the District. Director Boyer seconded the motion, which unanimously carried.

NFBWA CONSERVATION COMMITTEE

Ms. Ruske gave a brief update of current Conservation Committee activities. She noted that the NFBWA received an award for conservation.

FUTURE AGENDA ITEMS

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

ADJOURNMENT OF MEETING

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



Secretary

TABLE OF EXHIBITS

Exhibit A	April 2016 Garbage and Recycling Report
Exhibit B	Tax Assessor-Collector Report
Exhibit C	Engineer's Report
Exhibit D	Cost Estimate from Edustrial Solutions
Exhibit E	Detention and Drainage Facilities Report
Exhibit F	Operation & Maintenance Report
Exhibit G	Bookkeeper's Report
Exhibit H	Summary of Outstanding Bonds
Exhibit I	Unclaimed Property Report
Exhibit J	May 2016 Activity Report from Fort Bend County Constable's Office