

MINUTES
FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 11

May 15, 2012

The Board of Directors (the "Board") of Fort Bend County Levee Improvement District No. 11 (the "District") met in regular session, open to the public, on the 15th day of May, 2012, inside the boundaries of the District, at Professional Project Management Services, 19875 Southwest Freeway, Suite 270, Sugar Land, Texas, and the roll was called of the members of the Board:

Ron McCann	President
Vacant	Vice President/ Assistant Secretary
Jared Jameson	Secretary/ Assistant Vice President

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

Also present at the meeting were Andy Dean of Environmental Allies; Shawn Zieger of Austin Filter Systems, Inc.; Justin Ring, director appointee; Julie Williams of Rathmann & Associates, L.P.; Christina Garcia of Myrtle Cruz, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Michael Rusk of LJA Engineering & Surveying, Inc. ("LJA"); Jeff Perry of SWWC Services, Inc. ("SWWC"); and Lynne B. Humphries and Kristen Hogan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the April 17, 2012, regular meeting, which were provided in advance of the meeting. Following review and discussion, Director Jameson moved to approve the minutes as submitted. Director McCann seconded the motion, which was approved by unanimous vote.

RESIGNATION OF DIRECTOR STONE

Upon a motion made by Director Jameson and seconded by Director McCann, the Board voted unanimously to accept Director Stone's resignation, effective May 8, 2012.

APPOINTMENT OF NEW DIRECTOR BY FORT BEND COUNTY COMMISSIONERS COURT AND APPROVAL OF SWORN STATEMENT, OATH OF OFFICE, AND OFFICIAL BOND

Ms. Humphries reported that the Fort Bend County Commissioners Court met on May 8, 2012, and appointed Justin Ring to replace Mike Stone on the Board for the unexpired term ending June 27, 2014. Director Ring presented his executed Sworn Statement, Oath of Office, and Official Bond in connection with his appointment to the

Board. After review and discussion, Director Jameson made a motion to approve the Sworn Statement, Oath of Office, and Official Bond executed by Director Ring and direct that they be filed appropriately and retained in the District's official records. Director McCann seconded the motion, which passed unanimously.

REORGANIZATION OF BOARD AND DISTRICT REGISTRATION FORM

The Board considered reorganization and concurred for Director Ring to retain the vacant position of Vice President/Assistant Secretary. Ms. Humphries said the District is required to file an updated Registration Form with the Texas Commission on Environmental Quality ("TCEQ") reflecting the new District Director. After review and discussion and upon a motion made by Director Jameson and seconded by Director McCann, the Board voted unanimously to authorize execution and filing of a new District Registration Form reflecting Director Ring as Vice President/Assistant Secretary of the Board.

OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Ms. Humphries discussed training requirements related to the Texas Open Meetings Act and the Texas Public Information Act. Director Ring stated that he previously completed the required course of training regarding the responsibilities of directors under the Texas Open Meetings Act. Ms. Humphries stated that ABHR will obtain a copy of Director Ring's certificate of completion of the required training course for the District's files.

CONFLICT OF INTEREST DISCLOSURE REQUIRED UNDER CHAPTER 176 OF THE TEXAS LOCAL GOVERNMENT CODE

Ms. Humphries reviewed a memorandum regarding the requirement for directors and consultants to disclose certain conflicts of interest. She presented to Director Ring copies of the forms adopted by the Texas Ethics Commission for making disclosures under Chapter 176, and noted that the forms are required to be filed with the records administrator for the District within seven days of a disclosable conflict arising. Ms. Humphries encouraged Director Ring and any other Board members to contact ABHR if assistance is needed in determining whether a conflict requires disclosure or in making a required disclosure.

COMMENTS AND QUESTIONS FROM THE PUBLIC

There were no members of the public who wished to address the Board.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Garcia distributed and reviewed the bookkeeper's report, including the monthly budget comparison and list of checks presented for approval. A copy of the bookkeeper's report is attached. In response to questions from Director McCann, Ms. Garcia reviewed the electricity bill from Reliant Energy and said she would ask Erin Garcia to contact Reliant for an explanation of the charges. Following review and discussion, Director Jameson moved to approve the bookkeeper's reports and payment of the bills. Director Ring seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS AND DEPOSITORY PLEDGE AGREEMENT WITH WELLS FARGO

Mr. Ordeneaux distributed and reviewed the tax assessor/collector's report, a copy of which is attached. He noted that the District's 2011 taxes were 97.89% collected as of April 30, 2012. Mr. Ordeneaux reported that the District's updated 2012 preliminary value from the Fort Bend Central Appraisal District is \$1,097,785,559, which represents an increase of \$37,515,280 from the District's 2011 certified value. He added that the 2012 preliminary value will continue to be adjusted based on the outcome of value protests.

Ms. Humphries reported that Wells Fargo changed safekeeping institutions and requests a new Depository Pledge Agreement with the District to reflect this change since the District's tax account is with Wells Fargo. She presented the new negotiated form of Depository Pledge Agreement with Wells Fargo for the Board's consideration.

After review and discussion, Director Jameson moved to approve the tax assessor/collector's report and payment of the tax bills and to approve the Depository Pledge Agreement with Wells Fargo to be executed by all necessary parties and filed appropriately and retained in the District's official records. Director Ring seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES

Ms. Humphries reviewed a request from Mr. Dean for an item to be added to the District's June agenda for Environmental Allies to make a presentation to the Board about their services. After discussion, the Board concurred it was not necessary to receive a presentation from Environmental Allies until after the District considers operating services.

Mr. Perry apologized that SWWC management personnel did not attend today's meeting, as requested by the Board at last month's meeting to assure the Board of SWWC's dedication to operating the District in light of the recent loss of personnel at

SWWC. He said Scott Spidle planned to attend today's meeting, but has resigned from SWWC.

Mr. Perry next distributed and reviewed the operator's report, a copy of which is attached. He reported on operations and maintenance performed during the previous month, as indicated in the operator's report. Mr. Perry noted the outfall structures, including the gabion material, will be inspected as soon as the Brazos River water level subsides. He said additional rip rap material is stored at pump station no. 1 for installation at pump station no. 2, as necessary. Mr. Perry reported on washouts in three locations on ditch side slopes due to recent heavy rains. He reviewed a proposal from SWWC to repair the erosion issues for a cost of \$3,950. Discussion ensued regarding the need to re-grade backslope swales and the possibility of authorizing SWWC to complete such work in addition to repairing the ditch erosion issues. After discussion, the Board asked Mr. Perry to obtain a revised proposal to include re-grading of backslope swales in addition to repair of the washouts in the ditch. The Board concurred to authorize Director Ring to review and approve a revised proposal in an amount not to exceed \$10,000.

Mr. Perry then reported on his resignation from SWWC, effective May 18, 2012. He said Mike Thelen will be the District's new operating representative. The Board expressed their appreciation to Mr. Perry for his service to the District, noting the benefits of the same representative operating levees and attending levee district meetings.

After review and discussion, Director Jameson moved to approve the operator's report and authorize Director Ring to review and approve a revised proposal not to exceed \$10,000 to repair the ditch erosion issues and re-grade the backslope swales. Director Ring seconded the motion, which passed unanimously.

ENGINEERING MATTERS

Mr. Rusk distributed and reviewed the engineer's report, a copy of which is attached. He updated the Board on construction of the Middle Bayou detention lake erosion protection and improvements project. Mr. Rusk reviewed and recommended approval of Pay Estimate No. 4 in the amount of \$342,181.42, payable to Austin Filter Systems, Inc. He next reviewed and recommended approval of Change Order No. 2 in the amount of \$79,001.74 for additional sod along the disturbed areas, additional gabions to accommodate drains into the lake that were below the original water surface, and additional rip rap for the planter wall areas due to unexpected issues with the perimeter wall from a recent rainfall event. Mr. Rusk then responded to questions about the project. He stated that an application for approval of Change Order No. 2 must be submitted to the TCEQ since it is in excess of \$25,000 and is funded with bond proceeds. Mr. Rusk added that the District's application for approval Change Order No. 1 is pending at the TCEQ. Mr. Zieger reported on prior discussions with the Golf

Club about the plans for completing work in the smaller cove areas and smaller portion of the lake on the north side of Riverbrook Drive, which will begin soon. Mr. Rusk discussed plans to prepare the main area of the lake to receive future rain water to reduce the amount of detention lake water necessary to restore the detention pond to its original condition once the project is complete. Director McCann reminded Mr. Rusk of the Board's request for him to contact the Fort Bend Subsidence District regarding the possibility of waiving the disincentive fees for water pumped by the District from the Golf Club well to restore the detention pond to its original condition before the project began. Ms. Humphries reported on a request from the Greatwood Presidents' meeting for Mr. Rusk to prepare an updated notice about the project for the Greatwood Districts' website. Mr. Rusk said he would prepare and submit an updated notice to ABHR for posting.

Mr. Rusk said ABHR continues to work with Jim Lawless to finalize his proposal for architectural and structural design of the District's emergency operations building.

After review and discussion, Director Ring moved to approve the engineer's report and, based on the engineer's recommendation, to approve Pay Estimate No. 4 in the amount of \$342,181.42 and Change Order No. 2 in the amount of \$79,001.74 for construction of the Middle Bayou detention lake erosion protection and improvements project and to authorize preparation and submission of an application to the TCEQ for approval of Change Order No. 2, including authorization to execute all necessary documentation and a check in the amount of \$100.00 for the application. Director Jameson seconded the motion, which passed unanimously.

RESOLUTION NOMINATING JUSTIN RING TO THE BOARD OF TRUSTEES OF THE ASSOCIATION OF WATER BOARD DIRECTORS - TEXAS

The Board discussed nominating Director Ring for re-election to the Board of Trustees for the Association of Water Board Directors ("AWBD"). Upon a motion made by Director Jameson and seconded by Director McCann, the Board voted unanimously to adopt a Resolution Nominating Justin Ring to the Board of Trustees for AWBD for an additional term and direct that the Resolution be filed appropriately and retained in the District's official records.

REPORT FROM FINANCIAL ADVISOR ON REFUNDING BOND ISSUE

Ms. Williams distributed and reviewed a tax rate analysis and a refunding analysis reflecting potential savings associated with refunding portions of the District's outstanding \$8,215,000 Unlimited Tax Levee Improvement Refunding Bonds, Series 2004 and \$6,910,000 Unlimited Tax Levee Improvement Refunding Bonds, Series 2005 (the "Series 2012 Refunding Bonds"). Copies of the analyses are attached. Ms. Williams said an application will be made to Standard & Poor's for confirmation of the District's

credit rating if the Board approves proceeding with the refunding bond sale (the "Series 2012 Refunding Bonds"), based on designated parameters.

Ms. Williams next distributed and reviewed the Preliminary Official Statement for the proposed Series 2012 Refunding Bonds and recommended that FirstSouthwest be designated as underwriter, with RBC Capital Markets as part of the syndicate. She also recommended that the Board appoint The Bank of New York Mellon Trust Company as paying agent/registrars and escrow agent for the Series 2012 Refunding Bonds. Ms. Williams said it will be necessary for the attorney to submit a transcript of the refunding bond proceedings to the Attorney General of Texas and for the financial advisor to take necessary action in connection with the delivery of the Series 2012 Refunding Bonds. Ms. Humphries presented a Resolution Authorizing the Issuance of the District's Refunding Bonds, Series 2012, and reviewed the parameters for the refunding bond sale to be designated by an authorized representative of the District.

In response to questions from the Board, Ms. Williams discussed the benefit of using District funds to pay issuance costs associated with the proposed Series 2012 Refunding Bonds compared to using such funds to pay outstanding debt. Ms. Williams added that the cost of the application to Standard & Poor's is the only expense that would be incurred by the District if interest rates increase and the Board decides not to proceed with the proposed Series 2012 Refunding Bonds. Discussion ensued regarding the impact on the District's tax rate of issuing the proposed Series 2012 Refunding Bonds. After discussion, the Board directed Ms. Williams to determine the amount of present value savings available to achieve a tax rate decrease of \$0.01 per \$100 of assessed valuation from the issuance of the proposed Series 2012 Refunding Bonds. The Board concurred Ms. Williams should prepare an additional analysis prior to pricing the Series 2012 Refunding Bonds to ensure a tax rate decrease of \$0.01 per \$100 of assessed valuation can be achieved.

After review and discussion, Director Ring moved to authorize submittal of the rating application to Standard & Poor's and to adopt the Resolution Authorizing the Issuance of the District's Refunding Bonds, Series 2012, authorizing Director Jameson to select the specific maturities or series of the District's outstanding bonds to be refunded and to effect the sale of the Series 2012 Refunding Bonds in a principal amount not to exceed \$10,000,000, including the execution of the Bond Purchase Agreement and any other necessary documents, so long as the net present value savings of the refunding compared to the principal amount of the bonds being refunded is at least equal to the percentage to be determined by Ms. Williams as directed to save the District at least \$0.01 per \$100 of assessed valuation in debt service tax. Director Jameson seconded the motion, which passed unanimously.

Director Jameson then moved to approve the Preliminary Official Statement for the Series 2012 Refunding Bonds, subject to final review, to designate FirstSouthwest as

underwriter for the Series 2012 Refunding Bonds, to appoint The Bank of New York Mellon Trust Company as paying agent/registrar and escrow agent, and to authorize the attorney and financial advisor to take all necessary action in connection with the issuance of the Series 2012 Refunding Bonds. Director Ring seconded the motion, which passed unanimously.

FORT BEND FLOOD MANAGEMENT ASSOCIATION MATTERS/ACTIONS, FEDERAL FLOOD INSURANCE LEGISLATION, LOBBYIST COSTS, PERIMETER LEVEE MAINTENANCE, AND ATTENDANCE AT LEVEE CONFERENCES

Director McCann discussed with Director Ring the District's involvement in the Fort Bend Flood Management Association ("FBFMA"), including attendance by a District representative at quarterly FBFMA meetings. He discussed the FBFMA's upcoming annual symposium and various levee conferences he recommends that Directors Jameson and Ring attend. After discussion, the Board concurred for Director McCann to continue to represent the District on FBFMA matters and to consider appointing a new representative when Director McCann resigns from the Board and a new director is appointed by the Fort Bend County Commissioners Court.

PHASE II MS4 STORM WATER MANAGEMENT PLAN IMPLEMENTATION AND DISASTER PREPAREDNESS COMMITTEE MATTERS

The Board considered District representation on other Greatwood committees and concurred to appoint Director Ring as the District's Disaster Preparedness Committee representative. The Board concurred for Director Jameson to continue representing the District on the Greatwood Storm Water Management Plan Committee.

DISCUSS OPERATING SERVICES AND AUTHORIZE TERMINATION OF CONTRACT WITH SWWC SERVICES, INC. AND SOLICITATION OF PROPOSALS FROM OPERATING COMPANIES, IF APPROPRIATE

The Board discussed the District's contract with SWWC Services, Inc. for operating services. In response to a question from the Board, Ms. Humphries reviewed the contract and responded that 60 days written notice is required to terminate the contract. Discussion ensued regarding companies that operate levees. Mr. Perry said SWWC intends to continue operating levee districts and would be interested in submitting a proposal should the Board decide to terminate the existing contract with SWWC and solicit proposals from operating companies. Mr. Perry then left the meeting.

Discussion ensued and the Board discussed concerns that SWWC did not send another representative to today's meeting to assure the Board of SWWC's dedication to operating the District. After discussion, Director Jameson moved to terminate the District's contract with SWWC and to authorize ABHR to send a letter to SWWC

ACTION LIST

1. Ms. Garcia will ask Erin Garcia to contact Reliant for an explanation of the charges.
2. ABHR will obtain a copy of Director Ring's certificate of completion of the required Open Meetings Act training course for the District's files.
3. The operator will obtain a revised proposal for repair of ditch washouts and re-grading of backslope swales in not to exceed \$10,000 for review and approval by Director Ring.
4. The operator will inspect the outfall structures, including the gabion material, as soon as the level of the Brazos River subsides.
5. The engineer will contact the Fort Bend Subsidence District regarding the possibility of waiving the disincentive fees for water pumped by the District from the Golf Club well to restore the detention pond to its original level.
6. The engineer will prepare an updated notice about the detention lake erosion repair project for the Greatwood Districts' website.
7. ABHR will work with Mr. Lawless to finalize his proposal for architectural and structural design of the District's emergency operations building.
8. The engineer will submit an application to the TCEQ for approval of Change Order No. 2 for the detention lake erosion repair project.
9. The financial advisor will determine the amount of present value savings available to achieve a tax rate decrease of \$0.01 per \$100 of assessed valuation and will prepare an additional analysis prior to pricing the proposed Series 2012 Refunding Bonds, as discussed.
10. ABHR will send a letter to SWWC providing 60 days notice of termination, effective July 16, 2012.
11. ABHR will request proposals from interested companies and will invite participants in the "GreatRiver" perimeter levee to send a representative to the special meeting if more than one proposal is received.

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