

MINUTES  
FORT BEND COUNTY LEVEE IMPROVEMENT DISTRICT NO. 11

July 17, 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 17th day of July, 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
Justin Ring	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 Bob Grant, a resident of the District; Kevin Matocha, Jeff Perry, and Clark Caruth of Levee Management Services, LLC ("LMS"); Pat Naff of CDC Unlimited, LLC ("CDC"); Shawn Zieger of Austin Filter Systems, Inc.; Erin Garcia of Myrtle Cruz, Inc.; Greg Ordeneaux of Tax Tech, Inc.; Michael Rusk of LJA Engineering, Inc. ("LJA"); and Lynne B. Humphries and Kristen Hogan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the June 19, 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 Ring seconded the motion, which was approved by unanimous vote.

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. Ms. Garcia discussed issues with billings from Reliant Energy. After discussion, the Board asked ABHR to discuss alternative options for District electricity service with Amerex Energy Services, electricity broker for the Greatwood Master District. Following review and discussion, Director Jameson moved to approve the bookkeeper's report and payment of the bills. Director Ring seconded the motion, which passed unanimously.

## TAX ASSESSMENT AND COLLECTION MATTERS AND

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 98.98% collected as of June 30, 2012. After review and discussion, Director Jameson moved to approve the tax assessor/collector's report and payment of the tax bills. Director Ring seconded the motion, which passed unanimously.

## UPDATE ON CONTRACT WITH LEVEE MANAGEMENT SERVICES, LLC AND OPERATION OF DISTRICT FACILITIES

Mr. Matocha reported on a meeting with Ms. Humphries prior to today's meeting to review LMS's proposed Operation and Maintenance Service Contract (the "Contract") for operation of the District, effective July 16, 2012. He said the Contract provides for a base monthly fee of \$12,000, which includes 120 man hours. Mr. Matocha reviewed revisions to the Contract to clarify the services included in the base monthly fee, based on his meeting with Ms. Humphries. He and Ms. Humphries then reviewed other recommended revisions to the Contract based on their meeting.

Ms. Humphries next reviewed and discussed LMS's proposed indemnification provisions included in the Contract. She explained ABHR has previously required District consultant contracts to include full indemnification provisions, but that lesser indemnification requirements were under consideration during negotiations with SWWC Services, Inc. ("SWWC"), the District's prior operator, of a standard operating contract for levee districts represented by ABHR. Ms. Humphries said the standard operating contract was not finalized with SWWC and LMS has since finalized a contract with lesser indemnification/liability requirements with another levee district represented by ABHR. She explained LMS's proposed indemnification/liability exceptions in the Contract related to (1) liability/claims arising out of errors or omissions by the District or any engineer, architect, operator, designer or contractor and (2) liability for third party claims in excess of LMS's insurance coverage. In response to questions from the Board, Ms. Humphries said ABHR partners have not had an opportunity to discuss this matter internally to provide a recommendation to ABHR clients. Ms. Humphries added that she expects ABHR partners to discuss the matter next month. Mr. Matocha reviewed LMS's insurance requirements included in the Contract and noted an additional \$2,000,000 umbrella liability limit specific to the District in excess of LMS's standard limits. Discussion ensued among the Board members regarding the implications of the indemnification/liability exceptions proposed by LMS and additional insurance alternatives. After discussion, the Board concurred to proceed with approval of the Contract with the indemnification/liability provisions proposed by LMS and incorporating the other revisions recommended by Ms. Humphries and Mr. Matocha, but directed Ms. Humphries to report back to the Board on ABHR's recommendation regarding indemnification/liability requirements. The Board asked Mr. Matocha to present costs associated with increased general

liability limits for their consideration and Ms. Humphries to discuss District insurance requirements with Dan McDonald, the District's insurance agent.

Ms. Garcia left the meeting.

Mr. Matocha then reviewed LMS's separate proposed Service Agreement to conduct an initial inspection of the District for a cost of \$12,000. He said the work included in the initial inspection, which includes a written report on the inspection with details of any issues and recommendations to remain in compliance with the U.S. Army Corps of Engineer's Rehabilitation and Inspection Program. He said LMS would produce the inspection report within 90 days of the Board's execution of the Service Agreement. The Board discussed general concerns about authorizing inspections to be conducted by the same party who would complete any work recommended in the inspection report. Mr. Matocha responded to questions and concerns of the Board and said work authorized by the Board based on the inspection results could be scheduled for completion within the 120 man hours included in LMS's base monthly services, to the extent the work is within the scope of base services. In response to questions from the Board about the base monthly services, Ms. Humphries said the Contract requires LMS to provide monthly reports on the hours worked. Ms. Humphries added the Contract requires LMS to contact a District Director for authorization to proceed with emergency repairs. She also informed Mr. Matocha of the District's Resolution Regarding Delegation of Authority in Emergencies designating authority to a Director to approve District expenditures and authorize certain emergency response actions to be undertaken by District consultants in emergencies. Director Ring noted Mr. Perry's prior experience operating the District as an employee of SWWC and questioned the need for the initial inspection since Mr. Perry is familiar with the condition of the District's facilities. Mr. Matocha responded by giving examples of issues that have been discovered in other districts. He then reported on LMS's coordination with Mr. Rusk on an initial inspection recently conducted for another levee district. After discussion, the Board concurred to proceed with authorizing LMS to conduct the initial inspection of the District and prepare an inspection report in coordination with the District's engineer.

In response to a question from Director McCann, Mr. Matocha said any work performed by employees of Lake Management Services, which has common ownership with LMS, would not be considered sub-contracted work, as defined in the Contract.

After review and discussion, Director Ring moved to approve the Contract with the revisions presented by Ms. Humphries and Mr. Matocha. Director Jameson seconded the motion, which passed unanimously. Mr. Matocha commended Ms. Humphries for her professionalism and efforts to negotiate the Contract on behalf of the District.

Director Ring then moved to approve the Service Agreement and authorize LMS to conduct an initial inspection of the District in coordination with the District's engineer. Director Jameson seconded the motion, which passed unanimously.

Mr. Matocha left the meeting.

#### ENGINEERING MATTERS

Mr. Rusk distributed and reviewed the engineer's report, a copy of which is attached. He and Mr. Zieger 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. 6 in the amount of \$167,316.47, payable to Austin Filter Systems, Inc. Mr. Rusk said he left a message for Marvin Marcell of the Fort Bend Subsidence District to discuss the possibility of waiving the disincentive fees for water pumped by the District from a Golf Club or Greatwood Community Association ("HOA") well to restore the detention pond to its original condition before the project began. Ms. Humphries discussed an additional District permit that provides authority for the District to pump water from Middle Bayou for the limited purpose of maintaining its detention ponds for recreational purposes only. She said the District has no authority to appropriate water from the ponds for any purpose. Ms. Humphries reminded Mr. Rusk that annual reports must be submitted for both District permits and copies of the reports should be sent to ABHR for the District's records. Discussion ensued regarding the Golf Club and HOA wells and a new well recently constructed by the HOA for its amenity lakes. Director McCann discussed a report at the Greatwood Presidents' meeting held earlier today regarding the HOA's plans to construct an additional well.

Director Ring left the meeting.

Mr. Rusk reported on coordination with the District's architect on a site plan for the District's proposed emergency operations building. He said surveying is scheduled for next week.

After review and discussion, Director Jameson moved to approve the engineer's report and approve Pay Estimate No. 6 in the amount of \$167,316.47 for the Middle Bayou detention lake erosion protection and improvements project, based on the engineer's recommendation. Director McCann seconded the motion, which passed unanimously.

#### CRITICAL LOAD SPREADSHEET FOR DISTRICT'S FACILITIES

Ms. Humphries discussed the requirement for the District to annually review and file an updated Critical Load Spreadsheet ("CLS"). She stated that the District's operator and engineer have reviewed the CLS and made changes and she reviewed the changes with the Board. Ms. Humphries said the District's updated CLS will be filed

with the required entities, which include the Fort Bend County Office of Emergency Management, the Public Utility Commission, the Texas Division of Emergency Management, Reliant Energy as the District's retail electric provider, and CenterPoint Energy as the Transmission and Distribution Utility company. After review and discussion, Director Jameson moved to approve and authorize filing of the updated CLS. Director McCann seconded the motion, which passed unanimously.

#### PHASE II MS4 STORM WATER MANAGEMENT PLAN IMPLEMENTATION

There was no discussion on this item.

#### DISASTER PREPAREDNESS COMMITTEE MATTERS

Director McCann discussed a report from the Presidents' meeting held earlier today regarding the status of emergency radio broadcast equipment and the preparation of a manual for operation of the equipment and training of Disaster Preparedness Committee members and operators by David Maxwell of Disaster Planning Associates.

Ms. Humphries presented an Amended Greatwood Hurricane Preparedness Plan (formerly known as the Greatwood Emergency Preparedness Plan) recommended by the Disaster Preparedness Committee for adoption by each of the Greatwood Districts. She reviewed the Committee's proposed revisions with the Board. Ms. Humphries said the Committee also asked each of the Greatwood Districts to review and consider amending their Resolutions Regarding Delegation of Authority in Emergencies, if necessary. She stated that the District previously appointed former director Michael E. Stone or, in his absence, Director McCann, with the authority to approve District expenditures and authorize certain emergency response actions to be undertaken by District consultants in emergencies. After review and discussion, Director Jameson moved to adopt the Amended Greatwood Hurricane Preparedness Plan dated May 9, 2012, adopt an Amended Resolution Regarding Delegation of Authority in Emergencies to appoint Director Ring or, in his absence, Director Jameson, with the authority to approve District expenditures and authorize certain emergency response actions to be undertaken by District consultants in emergencies, and direct that such documents be filed appropriately and retained in the District's official records. Director McCann 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

The Board discussed National Flood Insurance Program legislation that recently passed with favorable provisions for Fort Bend County, including removal of the mandatory flood insurance requirement for areas protected by a levee. Ms. Humphries

reported that Fort Bend County Levee Improvement District No. 17 determined to write an editorial for the local newspapers thanking Judge Hebert and Congressman Olson for their efforts on this legislation. After discussion and upon a motion made by Director Jameson and seconded by Director McCann, the Board voted unanimously for the District to participate in the editorial. Ms. Humphries said ABHR will send the draft editorial to the Board for review.

REPORTS ON GREATWOOD PRESIDENT'S MEETING AND ACTIVITIES AND FOLLOW UP ON LEVEE AND DRAINAGE FACILITIES AND OTHER DISTRICT AND GREATWOOD REGIONAL MATTERS, INCLUDING GREATWOOD DISTRICTS' ARTICLES AND INFORMATION FOR WEBSITE

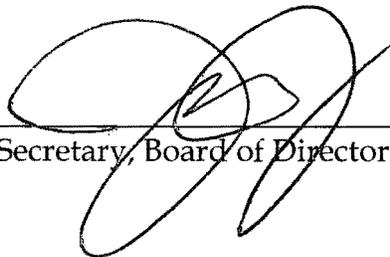
Mr. Naff reported on mowing and maintenance of the District's levee and drainage facilities by CDC. The Board asked him to attend District meetings occasionally to report on mowing and maintenance work.

MEETING SCHEDULE

The Board concurred the District's next regular meeting will be held August 21, 2012, at 5:00 p.m.

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



  
Secretary, Board of Directors

ACTION LIST

1. ABHR will discuss alternative options for District electricity service with the electricity broker for the Greatwood Master District.
2. ABHR will report back to the Board on its recommendation regarding indemnification/liability requirements for District consultant contracts.
3. LMS will present costs associated with increased general liability limits for the Board's consideration.
4. LMS will coordinate with the District's engineer on conduct of the initial inspection of the District and preparation of an inspection report.
5. LJA will follow up with the Fort Bend Subsidence District regarding the possibility of waiving the disincentive fees for water pumped by the District from a Golf Club or HOA well to restore the detention pond to its original level.
6. LJA will ensure annual reports are being submitted for both District permits and will send copies of the reports to ABHR for the District's records.
7. ABHR will file the District's updated CLS with the required entities.
8. ABHR will send the draft editorial regarding the National Flood Insurance Program legislation to the Board for review.

Pending Action List for new operator:

1. The operator will present a proposal for repair of ditch washouts and re-grading of backslope swales.
2. The operator will inspect the outfall structures, including the gabion material, as soon as the level of the Brazos River subsides.

LIST OF ATTACHMENTS TO MINUTES

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