

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 39

September 25, 2018

The Board of Directors ("Board") of Brazoria County Municipal Utility District No. 39 (the "District") met in regular session, open to the public, on the 25th day of September, 2018, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, outside the boundaries of the District, and the roll was called of the members of the Board:

Nancy Davis	President
Danny Traylor	Vice President
Michael Yu	Secretary
Terry Reeves	Assistant Secretary
Jordan Nightingale	Assistant Vice President

and all of the above were present, except Directors Reeves and Traylor, thus constituting a quorum.

Also present at the meeting were Blake Kridel and Kaz Jones of Storm Water Solutions, LLC ("SWS"); Crystal Horn of McGrath & Company, PLLC ("McGrath"); David Smalling of Robert W. Baird & Co., Inc. ("Baird"); Rick Marriott of Si Environmental, LLC ("Si"); Scott Wright of MHI Partnership, Ltd. ("MHI"); Katie Summers of TBG Partners ("TBG"); Donna Bryant of Assessments of the Southwest, Inc. ("ASW"); Jorge Diaz of McLennan & Associates, LP ("McLennan"); Brian Edwards of LJA Engineering, Inc. ("LJA"); and Angela Lutz and Ashley Ramos of Allen Boone Humphries Robinson LLP.

MINUTES

The Board considered approval of the August 28, 2018, meeting minutes. After review and discussion, Director Davis moved to approve the August 28, 2018, meeting minutes. Director Yu seconded the motion, which passed by unanimous vote.

OPERATOR'S REPORT

Mr. Marriott reviewed the operator's report, a copy of which is attached. He reported on maintenance and repairs completed during the previous month. After review and discussion, Director Davis moved to approve the operator's report. Director Yu seconded the motion, which passed by unanimous vote.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE

Mr. Marriott presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment. Following review and discussion, Director Davis moved to authorize termination of delinquent accounts in accordance with the District's Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. The motion was seconded by Director Yu and passed by unanimous vote.

BOOKKEEPER'S REPORT

Mr. Diaz presented and reviewed the bookkeeper's report, a copy of which is attached, and submitted the monthly bills of the District for the Board's review. Mr. Diaz presented and reviewed an amended budget for fiscal year end March 31, 2019, a copy of which is attached. He stated the mowing line item has been revised to \$69,984 for maintenance and storm water quality management services for a portion of Mustang Bayou Phase I to serve Pomona. After review and discussion, Director Yu moved to (1) approve the bookkeeper's report and the checks presented for payment; and (2) adopt the amended budget, as discussed. Director Nightingale seconded the motion, which passed by unanimous vote.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

Ms. Lutz explained that the Texas Public Funds Investment Act requires the Board to annually review its Investment Policy and to authorize any appropriate amendments. After review and discussion, Director Yu moved to adopt a Resolution Regarding Annual Review of Investment Policy setting forth the Board's determination that no changes are necessary to the Investment Policy and direct that the Resolution be filed appropriately and retained in the District's official records. Director Nightingale seconded the motion, which carried unanimously.

REVIEW, REVISE, AND ADOPT RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/ DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Lutz explained that the Texas Public Funds Investment Act requires the Board to annually review its list of authorized depository institutions and qualified broker/dealers and authorize any appropriate changes. Ms. Lutz noted that the District's bookkeeper submitted an updated list of same, and Mr. Diaz confirmed such

list includes all banks where the District maintains deposits or investments. After review and discussion, Director Yu moved to adopt a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions, including the updated list of authorized depository institutions and qualified broker/dealers received from the District's bookkeeper and direct that the Resolution be filed appropriately and retained in the District's official records. Director Nightingale seconded the motion, which carried unanimously.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Bryant distributed and reviewed the monthly tax assessor/collector's report, a copy of which is attached. She stated that the report reflects the District's 2017 taxes were 100% collected as of August 31, 2018. After review and discussion, Director Davis moved to approve the tax assessor/collector's report and the checks presented for payment. Director Nightingale seconded the motion, which passed by unanimous vote.

CONDUCT PUBLIC HEARING REGARDING THE DISTRICT'S TAX RATE, ADOPT ORDER LEVYING TAXES, AND AUTHORIZE EXECUTION OF AMENDMENT TO INFORMATION FORM

Ms. Bryant stated that ASW published a Notice of Public Hearing regarding the adoption of the District's 2018 tax rate. Ms. Lutz then opened the public hearing. No members of the public came forward to make comments. Ms. Lutz closed the public hearing.

Ms. Lutz presented to the Board an Order Levying Taxes reflecting a total 2018 tax rate of \$1.50 per \$100 assessed valuation, with \$0.28 per \$100 assessed valuation allocated to water, sewer, and drainage debt service tax, \$0.47 per \$100 assessed valuation allocated to road debt service tax, and \$0.75 per \$100 assessed valuation allocated to operations and maintenance tax. The Board confirmed its intention that the 2018 tax levy includes a debt service component for the calendar year ending December 31, 2019 and a maintenance tax component for the fiscal year ending July 31, 2019. Ms. Lutz then presented an Amendment to Information Form reflecting the newly adopted tax rate. Ms. Lutz stated that the Amendment to Information Form will be filed with Brazoria County and the Texas Commission on Environmental Quality ("TCEQ"). After review and discussion, Director Yu moved to (1) adopt the Order Levying Taxes; (2) authorize execution of the Amendment to Information Form; and (3) direct that both documents be filed appropriately and retained in the District's official records. Director Davis seconded the motion, which passed unanimously.

REPORT FROM STORM WATER SOLUTIONS, L.L.C., INCLUDING DISCUSS
CHANNEL AND DETENTION POND MAINTENANCE

Mr. Kridel reported on the Mustang Bayou Phase I channel improvements, stating SWS will meet with LJA to discuss repair items.

ENGINEER'S REPORT

Mr. Edwards reviewed an engineering report, a copy of which is attached.

WATER SUPPLY PLANT NO. 1 WELL STUDY

Mr. Edwards updated the Board regarding the Water Supply Plant No. 1 well study, stating construction is ongoing.

WASTEWATER TREATMENT PLANT, PHASE 2 TO SERVE POMONA

Mr. Edwards reported on the construction of the Wastewater Treatment Plant, Phase 2 to serve Pomona.

WASTEWATER TREATMENT PLANT DISCHARGE PERMIT RENEWAL
APPLICATION

Mr. Edwards reported on the status of the wastewater treatment plant discharge permit renewal application.

WATER REUSE APPLICATION

Mr. Edwards reported on the status of the water reuse application, which requests authorization from the TCEQ to utilize the wastewater treatment plant effluent to irrigate the tree farm adjacent to the facility.

BOND APPLICATION NO. 3

Mr. Edwards updated the Board regarding the preparation of Bond Application Report No. 3.

WATER SUPPLY PLANT NO. 1, PHASE 2

Mr. Edwards reported on plans for the Water Supply Plant No. 1, Phase 2 expansion project. He stated an expansion of the existing water plant is required to serve development within the District. Mr. Edwards added that the project will expand the capacity of the water plant from 625 equivalent single-family connections ("ESFCs") to 1,250 ESFCs. He stated the project will be completed by Brazoria County Municipal Utility District No. 40 ("MUD 40") in accordance with the Joint Facilities/Cost Sharing Agreement between the District and MUD 40. Mr. Edwards added that design is ongoing.

CONSTRUCTION OF WATER, SEWER, AND DRAINAGE FACILITIES TO SERVE POMONA PARKWAY, PHASE 3

Mr. Edwards reported on the plans for the construction of water, sewer, and drainage facilities to serve Pomona Parkway, Phase 3. He stated the proposed project includes the extension of Pomona Parkway across the Gulf Coast Water Authority Canal and into MUD 40. Mr. Edwards added that the portion of the project east of the Gulf Coast Water Authority Canal is within the District boundaries. He stated that design is ongoing.

PAVING TO SERVE POMONA PARKWAY, PHASE 3

Mr. Edwards reported on the plans for paving to serve Pomona Parkway, Phase 3. He stated the proposed project includes the extension of Pomona Parkway across the Gulf Coast Water Authority Canal and into MUD 40. Mr. Edwards added that the portion of the project east of the Gulf Coast Water Authority Canal is within the District boundaries. He stated design is ongoing.

PHASE 2B LANDSCAPE FOR POMONA, SECTIONS 7 AND 8

Ms. Summers reviewed a report from TBG, a copy of which is attached.

Ms. Summers updated the Board regarding Phase 2B landscape to serve Pomona, Sections 7 and 8. Ms. Summers reviewed and recommended approval of Change Order No. 4 to the contract with Earth First Landscapes, LLC ("Earth First") for the Phase 2B landscape to serve Pomona, Sections 7 and 8 to increase the contract in the amount of \$5,370.16 for landscape modifications and additional bonding. The Board determined that Change Order No. 4 is beneficial to the District. Following review and discussion, and based on the landscape architect's recommendation, Director Davis moved to approve Change Order No. 4 in the amount of \$5,370.16 as an increase to the contract with Earth First, based upon the Board's finding that the Change Order is beneficial to the District. Director Yu seconded the motion, which carried by unanimous vote.

DEEDS AND EASEMENTS

Mr. Edwards stated that the proposed Pomona Phase 2 Recreation Center is including a retaining wall that encroaches onto a sanitary sewer easement adjacent to Pomona Parkway. He requested that the Board approve a Consent to Encroachment with Pomona Phase 2A, LLC. After review and discussion, Director Davis moved to approve the Consent to Encroachment with Pomona Phase 2A, LLC. Director Yu seconded the motion, which carried by unanimous vote.

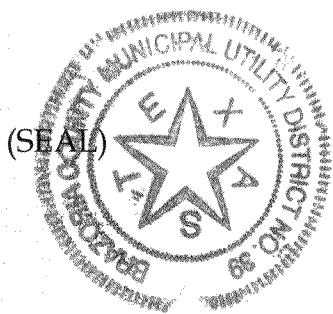
REPORT ON DEVELOPMENT

Mr. Wright reported on development in the District.

REVIEW AND APPROVE DEVELOPER REIMBURSEMENT REPORT FOR SERIES
2018 UNLIMITED TAX ROAD BONDS AND AUTHORIZE DISBURSEMENT OF
BOND PROCEEDS

Ms. Lutz stated that the developer reimbursement report (the "Report") for the District's \$2,630,000 Unlimited Tax Road Bonds, Series 2018 (the "Series 2018 Road Bonds"), has been updated to reflect the net effective interest rate received on the bonds. She stated that the purpose of the report was to verify the amount to be reimbursed to MC 288, LLC, from proceeds of the Series 2018 Road Bonds. After review and discussion, Director Yu moved to approve the developer reimbursement report, authorize disbursement of bond proceeds, including reimbursement to MC 288, LLC, in the amount of \$2,238,259 and direct that the Report be filed appropriately and retained in the District's official records. Director Davis seconded the motion, which passed unanimously.

There being no further business to come before the Board, the Board concurred to adjourn the meeting.




Secretary, Board of Directors

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