

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

July 22, 2008

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 18 of Harris County, Texas (the "District"), met in regular session, open to the public, on the 22nd day of July, 2008, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Arved White	President
Roy A. Beversdorf	Vice President
Michael L. Murr	Secretary
Robert A. Bernardini	Assistant Vice President
Vacant	Assistant Secretary

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

Also present at the meeting were Robin Humphreys of Wheeler & Associates, Inc.; Gus Gustafson of SWWC Services, Inc.; Mark Adam of AEI Engineering, Inc.; Wendy Austin of District Data Services, Inc.; and David Oliver and Janet Eisenberg of Allen Boone Humphries Robinson LLP ("ABHR").

COMMENTS FROM THE PUBLIC

There were no comments from the public.

MINUTES

The Board considered approving the minutes of the June 9, 2008, meeting. After review and discussion, Director Beversdorf moved to approve the minutes of the June 9, 2008, meeting. Director Murr seconded the motion, which passed unanimously.

BOOKKEEPER'S REPORT

The Board received the bookkeeper's report and considered paying the bills. Ms. Austin reviewed the written report, budget comparison, and schedule of investments, copies of which are attached. After review and discussion, Director Murr moved to approve the bookkeeper's report, the investment report and payment of the bills. Director Beversdorf seconded the motion, which passed unanimously.

DEPOSITORY PLEDGE AGREEMENT WITH COMPASS BANK AND LETTERS OF CREDIT AGREEMENT

Mr. Oliver stated that Texas State Bank has recently merged with Compass Bank and soon will only be using the name Compass Bank. He then reviewed a Depository Pledge Agreement and Letters of Credit Agreement between the District and Compass Bank. After review and discussion, Director Murr moved to approve the Depository Pledge Agreement and Letters of Credit Agreement with Compass Bank, and direct that the Agreements be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed unanimously.

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

Mr. Oliver presented a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions reflecting the addition of Compass Bank as an authorized depository institution of the District. After review and discussion, Director Murr moved to adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and direct that the Resolution be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed unanimously.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Humphreys reviewed the tax assessor/collector's report with the Board of Directors, a copy of which is attached. She reported that 98.21% of the 2007 taxes have been collected to date. After review and discussion, Director Beversdorf moved to approve the tax assessor/collector's report and the tax bills presented for payment. Director Murr seconded the motion, which carried unanimously.

AUTHORIZE DELINQUENT TAX ATTORNEY TO PROCEED WITH THE COLLECTION OF DELINQUENT TAXES

After discussion, Director Beversdorf moved that the Board authorize the delinquent tax attorney to proceed with the collection of delinquent taxes. Director Murr seconded the motion, which passed unanimously.

ENGINEER'S REPORT

Mr. Adam reviewed the engineer's report, a copy of which is attached. He updated the Board on a meeting with Ms. Rocchi of Precinct 4 on the Grant Road widening project. Mr. Adam updated the Board on the design of plans for chloramine

disinfection conversion at the water plants. He stated that he met with representatives of SWWC Services, Inc. on the conversion plans. Mr. Adam stated that the system needs to be completed by September, 2009. After review and discussion, Director Beversdorf moved to approve the engineer's report. Director Murr seconded the motion, which passed by unanimous vote.

#### OPERATOR'S REPORT

Mr. Gustafson reviewed the operator's report with the Board, a copy of which is attached. He stated that he will prepare a notice to include with the water bill on the contact information for SWWC Services, Inc. Director Beversdorf stated that the contact information will be added to the District's website. After review and discussion, Director Murr moved to approve the operator's report. Director Beversdorf seconded the motion, which passed unanimously.

#### HEARING ON TERMINATION OF WATER AND SEWER SERVICE

The Board reviewed the termination notices for delinquent customers. Mr. Gustafson stated that the customers on the attached termination list were mailed written notice prior to this meeting notifying them of the opportunity to appear before the Board of Directors to explain, contest, or correct the utility service bill and to show reason why utility service should not be terminated because of nonpayment, all as required by the District's Rate Order. After review and discussion, and there being no one present to protest termination, Director Murr moved to terminate service to the customers because no customers were either present at the meeting or had presented any written statement on the matter. Director Beversdorf seconded the motion, which passed unanimously.

#### REPORT ON DAMAGES TO DISTRICT FACILITIES AND AUTHORIZE APPROPRIATE ACTION, INCLUDING DISCUSS IMPOSING FINES AND PENALTIES FOR VIOLATIONS UNDER THE DISTRICT'S RATE ORDER

There was no discussion on this agenda item.

#### APPROVE INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT

The Board reviewed an Interlocal Agreement between the District and the Harris-Galveston Subsidence District for sponsorship of the Water Wise Program at Hamilton Elementary School. After review and discussion, Director Beversdorf moved to approve the Interlocal Agreement with the Harris-Galveston Subsidence District and direct that the Agreement be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which was approved by unanimous vote.

## DISTRICT'S WEBSITE

Director Beversdorf updated the Board on the District's website. He recommended that the Board approve paying up to \$700.00 to Barbara Payne to prepare information for the website. After discussion, Director Murr moved to approve paying Barbara Payne up to \$700.00 to prepare information for the website at Director Beversdorf's direction. Director White seconded the motion, which carried unanimously.

## NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Murr stated that he did not have an update on the NHCRWA.

## LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director White updated the Board on LFPAC activities.

## CONSTABLE SECURITY PATROL

The Board reviewed a report on constable security patrol.

## ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE, APPROVE REIMBURSEMENT OF ELIGIBLE EXPENSES AND AUTHORIZE ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

The Board discussed the Association of Water Board Directors summer conference. Following discussion, Director Murr moved that the Board approve the reimbursement of eligible expenses from the summer conference and authorize any interested directors to attend the Association of Water Board Directors winter conference. Director Beversdorf seconded the motion, which passed unanimously.

## REPORT ON MATERIAL EVENT NOTICE FOR BOND INSURANCE DOWNGRADE

Mr. Oliver discussed with the Board a downgrade in the rating of MBIA Corporation, the insurer of the District's series 1992 bonds. He stated that ABHR has filed a Continuing Disclosure Material Event Notice providing notification of the rating downgrade.

## DISCUSS RENEWAL OF DISTRICT INSURANCE POLICIES

The Board reviewed an insurance renewal proposal from The Essential Group. Following review and discussion, Director Beversdorf moved that the Board accept the proposal from The Essential Group for general liability, law enforcement liability, automobile liability, property, boiler and machinery, directors and officers liability, in

the amount of \$2 million and including the defense outside of coverage option, business travel coverage, workers compensation, pollution, a bond in the amount of \$50,000 to cover the directors, a bond in the amount of \$100,000 to cover the attorney, bookkeeper, operator, engineer and delinquent tax attorney and a bond in the amount of \$100,000 to cover the tax assessor/collector and direct that the proposal be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which passed by unanimous vote.

ACTION LIST

The Board reviewed the action list.

RECEIVE REPORTS FROM DISTRICT DIRECTORS AND CONSULTANTS

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

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Secretary, Board of Directors

(SEAL)

ACTION LIST

1. The consultants will prepare the District's application to the TCEQ to use maintenance tax revenue, escrowed funds and surplus funds to reimburse Great Pines Partnership.
2. The operator will prepare a notice for the water bill.

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