

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

March 9, 2009

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 9th day of March, 2009, 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:

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| 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, thus constituting a quorum.

Also present at the meeting were Robin Humphrey of Wheeler & Associates, Inc.; Gus Gustafson of SWWC Services, Inc. ("SWWC"); Mark Adam of AEI Engineering, Inc.; Stephanie Viator of District Data Services, Inc.; and David Oliver and Janet Swartz 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 February 9 and February 18, 2009, meetings. After review and discussion, Director Beversdorf moved to approve the minutes of the February 9 and February 18, 2009, meetings. Director Bernardini seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

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

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Humphrey reviewed with the Board the tax assessor/collector's report, a copy of which is attached. She reported that 90.62% of the 2008 taxes have been collected to date. After review and discussion, Director Bernardini moved to approve the tax assessor/collector's report and the tax bills presented for payment. Director Beversdorf seconded the motion, which carried unanimously.

RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board considered adopting a Resolution Concerning Tax Collection Procedures. Mr. Oliver stated that the Property Tax Code establishes optional procedures relating to the collection of property taxes. He added that the collection procedures require official action by the governing body of the taxing unit prior to implementation. Mr. Oliver then reviewed the optional tax collection procedures: refraining from sending out tax bills that are less than \$15.00, allowing for the split payment of taxes, and allowing a discount for early payment of taxes. After review and discussion, Director Bernardini moved to adopt a Resolution Concerning Tax Collection Procedures reflecting that the Board of Directors rejects all of the optional procedures and direct that the Resolution be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed by unanimous vote.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Mr. Oliver reviewed a Resolution Concerning Exemptions from Taxation. After review and discussion, Director Bernardini moved to adopt a Resolution Concerning Exemptions from Taxation, reflecting that the Board of Directors rejects a general residential homestead exemption, rejects any exemption of charitable organizations from ad valorem taxation, rejects any exemption of travel trailers from ad valorem taxation and grants a \$50,000 exemption for persons over 65 years of age and a \$100,000 exemption for disabled persons, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed by unanimous vote.

ENGAGE COMPANY TO CONDUCT ARBITRAGE REBATE STUDY FOR SERIES 1992 BONDS

Mr. Oliver reviewed a proposal from OmniCap LLP to conduct an arbitrage rebate study for the Series 1992 Bonds. After review and discussion, Director Bernardini moved to approve the proposal from OmniCap LLP and direct that the proposal be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which carried by unanimous vote.

ENGINEER'S REPORT

Mr. Adam reviewed the engineer's report, a copy of which is attached.

Mr. Adam stated that bids were received for the chloramine disinfection conversion at the water plants. He recommended that the Board award the contract to R&B Group, Inc. in the amount of \$264,225.00. The Board concurred that in its judgment, R&B Group, Inc. was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project. After review and discussion, Director Bernardini moved that, based upon the engineer's recommendation, the Board award the contract to R&B Group, Inc. in the amount of \$264,225.00 for the chloramine disinfection conversion at the water plants. Director Beversdorf seconded the motion, which passed by unanimous vote.

Mr. Adam recommended that the District establish rules and regulations on the uses on land and construction of facilities in or on land within one hundred fifty feet of the water wells in order to control sanitary conditions around the wells. Mr. Oliver reviewed an Order Establishing Rules and Regulations Regarding Sanitary and Pollution Control of the Areas in Proximity to the District's Public Water Supply Wells. After review and discussion, Director Bernardini moved to adopt an Order Establishing Rules and Regulations Regarding Sanitary and Pollution Control of the Areas in Proximity to the District's Public Water Supply Wells and direct that the Order be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed by unanimous vote. Mr. Oliver stated that a notice of the rules and the penalty for violation of the rules will be published in the Houston Chronicle.

Mr. Adam stated that he has been working with representatives of the North Harris County Regional Water Authority (the "NHCRWA") on connection of the District's water plant to the NHCRWA water supply line.

After review and discussion, Director Bernardini moved to approve the engineer's report. Director Beversdorf seconded the motion, which passed by unanimous vote.

APPROVE RIGHT-OF-ENTRY AGREEMENT WITH NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Mr. Oliver stated that the NHCRWA has requested that the District approve a Right-of-Entry and Possession Agreement. He stated that the NHCRWA intends to construct facilities upon the District's Malcomson Road water well site to connect the District's water plant to a water line owned by the NHCRWA (the "Facilities"). Mr. Oliver stated that the Agreement reflects the District's consent for the NHCRWA to enter upon the District's property to commence and complete construction of the

Facilities and thereafter operate and maintain the Facilities. After review and discussion, Director Bernardini moved to approve the Right-of-Entry and Possession Agreement and direct that the Agreement be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed unanimously.

FEDERAL EMERGENCY MANAGEMENT AGENCY HAZARD MITIGATION GRANT PROGRAM

Mr. Adam distributed and reviewed a memorandum from AEI Engineering, Inc. regarding a response from FEMA on the Notice of Interest for the FEMA Hazard Mitigation Grant Program, a copy of which is attached. He stated that the letter from FEMA indicates that generator projects are part of the category which is limited to 5% of the funds available and water plants are fourth in the priority order for funding. The Board instructed the District's consultants to refrain from proceeding with the District's FEMA Hazard Mitigation Grant Program application.

OPERATION OF DISTRICT FACILITIES

Mr. Gustafson reviewed the operator's report with the Board, a copy of which is attached. Mr. Gustafson stated that Mr. Shepard, customer in the District, has requested a credit to his account for late fees. He added that Mr. Shepard paid the late fees because his payment was late due to a delay in the transfer of his funds to the District by Wells Fargo Bank. The Board concurred to authorize the operator to credit Mr. Shepard's account for the late fees. Director Beversdorf stated that he will send a response to Mr. Shepard. Mr. Gustafson distributed and reviewed a leak detection report, a copy of which is attached. After review and discussion, Director Bernardini 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 Bernardini 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.

AUTHORIZE PREPARATION OF IDENTITY THEFT PREVENTION PROGRAM

Mr. Oliver distributed and reviewed a Memorandum from ABHR to the Board of Directors on a required Identity Theft Prevention Program (the "Program"), a copy of which is attached. He added that the District is required by the Federal Trade Commission under the Fair and Accurate Credit Transaction Act of 2003 to adopt a Program by May 1, 2009. Mr. Oliver stated that ABHR will work with the operator to prepare a Program for adoption at the next meeting. He added that the District's operator will be the Program administrator, be responsible for implementation of the Program, and will report to the Board annually regarding the effectiveness of the Program and any proposed amendments to the Program. After discussion, Director Beversdorf moved to authorize ABHR and SWWC to prepare the Program for the District. Director Bernardini seconded the motion, which passed by unanimous vote.

REVIEW DROUGHT CONTINGENCY PLAN

Mr. Oliver stated that the Texas Commission on Environmental Quality rules require that the District review and adopt an amended and restated Drought Contingency Plan prior to May 1, 2009. He distributed the District's current Drought Contingency Plan and requested that the board members and consultants review the plan and contact ABHR with any amendments. Mr. Oliver stated that adoption of an amended and restated Drought Contingency Plan will be on the next agenda.

DISCUSS WATER CONSERVATION PLAN

Mr. Oliver stated that, once the District constructs chloramine disinfection conversion at both water plants, it will receive water from the Authority and therefore, the District should adopt a Water Conservation Plan ("WCP"). He stated that ABHR is preparing a draft of a WCP that will be sent to the District's operator and engineer for review prior to the next Board meeting. Mr. Oliver stated that the WCP will need to be adopted by the District and will be filed with the NHCRWA. He added that the WCP will include a Water Conservation Utility Profile, five and ten year target goals for reduction of water use and measurement for unaccounted for water, a schedule for implementing the plan, a method for tracking the implementation and effectiveness of the plan, a requirement for a master meter, a program of universal metering, measures to determine and control water loss, a program of leak detection, repair and water loss accounting, a program of continuing education and information regarding water conservation, a water rate structure which is cost based and which does not encourage the excessive use of water and documentation that the regional water planning group had been notified of the plan. After discussion, Director Beversdorf moved to authorize ABHR to prepare the WCP for the District. Director Bernardini seconded the motion, which passed by unanimous vote.

ORDER ADOPTING WATER CONSERVATION PLAN AND AUTHORIZE
SUBMITTAL TO THE NHCRWA

The Board tabled this agenda item.

REQUEST FOR PUBLIC ASSISTANCE FROM THE FEDERAL EMERGENCY
MANAGEMENT AGENCY ("FEMA")

Mr. Gustafson stated that the District's claim has not been processed by FEMA for costs associated with damage due to Hurricane Ike.

REPORT ON DAMAGES TO DISTRICT FACILITIES

There was no discussion on this agenda item.

EMERGENCY PREPAREDNESS

Director Bernardini discussed the preparation of an emergency preparedness plan. He stated that the consultants are reviewing the draft plan.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Murr updated the Board on NHCRWA activities.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director White updated the Board on LFPAC activities.

CONSTABLE SECURITY PATROL

The Board reviewed a report on the constable security patrol.

LEGISLATIVE UPDATE

Mr. Oliver distributed a legislative report to the Board.

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

Secretary, Board of Directors

(SEAL)

ACTION LIST

1. The operator and engineer will prepare an emergency preparedness plan.
2. Director Beversdorf and Mr. Adam will work on the notice to customers regarding changing from free chlorine to chloramines.

LIST OF ATTACHMENTS TO MINUTES

| | <u>Minutes</u> <u>Page</u> |
|--|-------------------------------|
| bookkeeper's report | 1 |
| budget comparison | 1 |
| schedule of investments | 1 |
| tax assessor/collector's report | 2 |
| engineer's report | 3 |
| memorandum from AEI Engineering, Inc. | 4 |
| operator's report..... | 4 |
| leak detection report..... | 4 |
| termination list | 4 |
| Memorandum from ABHR..... | 5 |