

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

December 14, 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 14th day of December, 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:

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 Louise Williams of Wheeler & Associates, Inc.; Gus Gustafson of SWWC Services, Inc. ("SWWC"); Mark Adam of AEI Engineering, Inc.; Wendy Austin of District Data Services, Inc.; and Adisa Abudu-Davis and Janet Swartz of Allen Boone Humphries Robinson LLP.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

MINUTES

The Board considered approving the minutes of the November 9, 2009, meeting. After review and discussion, Director Bernardini moved to approve the minutes of the November 9, 2009, meeting. Director Beversdorf seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

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. Ms. Austin distributed the Lake Forest Plant Advisory Council budget for the fiscal year ending December 31, 2010. After review and discussion, Director Beversdorf moved to approve the bookkeeper's report, the investment report, payment of the bills, and the Lake Forest Plant Advisory Council budget. Director Bernardini seconded the motion, which passed unanimously.

ADOPT BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2010

Ms. Austin reviewed a proposed budget for the fiscal year ending December 31, 2010, a copy of which is attached to the bookkeeper's report. Mr. Gustafson stated that he will review the current amount in the budget under the category of Repairs and Maintenance for Water and report any necessary adjustment to the bookkeeper. The Board requested that the bookkeeper reflect \$150,000 in the category of Repairs and Maintenance for Sanitary Sewer Manholes. After review and discussion, Director Bernardini moved to adopt the budget for the fiscal year ending December 31, 2010. Director Beversdorf seconded the motion, which passed by unanimous vote.

TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

The Board discussed the Association of Water Board Directors winter conference. After discussion, Director Bernardini moved to authorize hotel rooms for two nights, per diems for the Directors for three days of the conference and three meals per day. Director Beversdorf seconded the motion, which carried unanimously.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Williams reviewed with the Board the tax assessor/collector's report, a copy of which is attached. She reported that 6.77% of the 2009 taxes have been collected to date. The Board requested that Ms. Williams report on the number of new homes in Hidden Falls that have been added to the recent tax roll. After review and discussion, Director Beversdorf moved to approve the tax assessor/collector's report and payment of the tax bills. Director Bernardini seconded the motion, which carried unanimously.

ENGINEER'S REPORT

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

Mr. Adam stated that the District received an inquiry from Mr. Mussa regarding out-of-district water and sewer service for a proposed office park complex located on the south side of Louetta Road. After discussion, the Board concurred that it was not in the District's best interests to provide out-of-district service to the proposed commercial development located outside of the District.

Mr. Adam updated the Board on the contract for the chloramine disinfection conversion at the water plants. Mr. Adam reviewed and recommended approval of Pay Estimate No. 3 in the amount of \$37,575.00 and Pay Estimate No. 4 in the amount of \$40,050.00 to the R&B Group, Inc. contract for the conversion to chloramines at the water plants. After review and discussion, Director Beversdorf moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 3 in the amount of \$37,575.00 and Pay Estimate No. 4 in the amount of \$40,050.00 to the R&B Group, Inc.

contract. Director Bernardini seconded the motion, which passed unanimously. Mr. Adam updated the Board on his meeting with the District's operator regarding the chloramine conversion process.

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

OPERATION OF DISTRICT FACILITIES

Mr. Gustafson discussed operations in the District with the Board. He stated that SWWC is working on the renewal of the Harris County Alarm Permit.

Mr. Gustafson reviewed a draft notice to customers regarding the change from free chlorine to chloramines. Director Beversdorf requested that all comments be submitted to him and he will work on the notice with the operator. The Board discussed sending a brochure entitled "The Rising Cost of Water" from the North Harris County Regional Water Authority ("NHCRWA") to the District's customers. The Board requested that Mr. Gustafson send the "Rising Cost of Water" brochure to the District's customers as a separate mailing, contingent upon final approval by Director Beversdorf.

Mr. Gustafson discussed automated flushing equipment for flushing water lines. He added that he is reviewing the District's needs for flushing equipment and will report to the Board. Director Murr requested that Mr. Gustafson check on the restoration of sprinkler heads located at 14816 Cedar Point following completion of repairs to a District facility. After review and discussion, Director Beversdorf moved to approve the operator's report. Director Bernardini seconded the motion, which passed by unanimous vote.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE

Mr. Gustafson stated that the customers on the 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 Beversdorf 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 Bernardini seconded the motion, which passed unanimously. A copy of the termination list is attached.

APPROVE OPERATOR CONTRACT AMENDMENT FOR IDENTITY THEFT PREVENTION PROGRAM IMPLEMENTATION

Mr. Gustafson stated that SWWC is requesting approval of an Amendment to the Operator's Contract with the District to include costs for the implementation of the District's Identity Theft Prevention Program. After review and discussion, Director Beversdorf moved to approve the Amendment to the Operator's Contract with the District and direct that the same be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which passed unanimously.

AMEND RATE ORDER

Ms. Abudu-Davis reviewed an Amended Rate Order reflecting a \$5.00 increase in the account set-up fee, resulting in a new account set-up fee of \$25.00 to cover most of the costs associated with the Identity Theft Prevention Program implementation. Mr. Gustafson and Mr. Adam discussed the District's water rates and the NHCRWA water fees with the Board. The Board discussed that the District will incur additional costs to prepare the system to supply surface water received from the NHCRWA. The Board concurred to raise the NHCRWA water rate in the Rate Order to \$2.20 per 1,000 gallons of water used per connection effective in January, 2010. After review and discussion, Director Beversdorf moved to adopt the Amended Rate Order reflecting (1) an account set-up fee of \$25.00; and (2) a NHCRWA water rate of \$2.20 per 1,000 gallons of water used per connection to pay fees imposed by the NHCRWA, and direct that the Order be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which carried unanimously.

Director Beversdorf stated that he will notify the homeowner associations in the District of the water rate increase. Mr. Gustafson stated that he and Mr. Adam will review the District's additional administrative costs that will be incurred once surface water is being obtained from the NHCRWA. The Board requested that the operator add a notice to the water bill on the water rate increase contingent upon Director Beversdorf's approval. Director Bernardini stated that he will add a notice of the water rate increase to the District's website.

REPORT ON DAMAGES TO DISTRICT FACILITIES

There was no discussion on this agenda item.

EMERGENCY RESPONSE PLAN

Mr. Adam stated that the Texas Commission on Environmental Quality requires that the District submit an emergency preparedness plan by March 1, 2010. Director Bernardini stated that he will work with Mr. Adam on the District's plan.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Murr updated the Board on NHCRWA activities.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director White reviewed a report on the LFPAC. He reported on maintenance activities related to the bar screen and clarifier at the plant.

CONSTABLE SECURITY PATROL

The Board reviewed a report on the constable security patrol.

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

Secretary, Board of Directors

(SEAL)

ACTION LIST

1. The bookkeeper will send an invoice to Mr. Audish.
2. Director Beversdorf, the operator, and the engineer will work on the notice to customers regarding changing from free chlorine to chloramines and discuss at the next meeting.
3. The operator will send a brochure entitled "The Rising Cost of Water" to the District's customers.
4. The operator will add a notice to the water bill regarding the water rate increase.
5. Director Beversdorf will contact Lake Forest Municipal Utility District regarding a possible cost sharing agreement for deputy patrol services.

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