

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

October 11, 2010

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 11th day of October, 2010, 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 Karl Skarboszewski, a resident of the District; Tiny 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 Harrington and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

COMMENTS FROM THE PUBLIC

There were no comments from the public.

APPOINT NEW DIRECTOR, APPROVE SWORN STATEMENT, OFFICIAL BOND, AND OATH OF OFFICE, REORGANIZE THE BOARD, AND AUTHORIZE EXECUTION OF DISTRICT REGISTRATION FORM

The Board discussed the appointment of Karl Skarboszewski to fill the vacancy on the Board. Ms. Harrington stated that a new District Registration form will need to be filed with the Texas Commission on Environmental Quality ("TCEQ"), reflecting Karl Skarboszewski as the new Board member and his term of office. After review and discussion, Director Murr moved to (1) appoint Karl Skarboszewski to the Board of Directors for a term ending May 10, 2014; (2) accept the Sworn Statement, Official Bond and Oath of Office for Karl Skarboszewski, authorize the attorney to file the Oath of Office with the Secretary of State, and direct that the Sworn Statement, Official Bond and Oath of Office be filed appropriately and retained in the District's official records; (3) reorganize the Board as follows:

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

and (4) authorize filing the District Registration Form with the TCEQ and direct that the Form be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which passed by unanimous vote.

OPEN MEETINGS ACT AND PUBLIC INFORMATION ACT TRAINING REQUIREMENTS

Ms. Harrington reviewed a memorandum from ABHR regarding the Texas Open Meetings Act requirements, a copy of which is attached. Ms. Harrington noted that Director Skarboszewski, as an appointed public official, is required to complete a course on training responsibilities of the governmental body and its members under the Texas Open Meetings Act, Chapter 551 within 90 days of taking the oath of office. Director Skarboszewski stated that he previously completed the training and would submit a copy of his certificate for the District's records.

CONFLICT OF INTEREST DISCLOSURE REQUIRED UNDER CHAPTER 176 OF THE TEXAS LOCAL GOVERNMENT CODE

Ms. Harrington reviewed a memorandum from ABHR regarding conflict of interest disclosure required under Chapter 176 of the Texas Local Government Code, a copy of which is attached, which requires directors and consultants to disclose certain conflicts of interest.

REQUEST FOR ANNEXATION AND SERVICE FROM JESSE MUSSA

Ms. Harrington stated that the District has not received an application for service from Mr. Mussa. Director White requested that one or more of the doctors involved in the proposed medical office building attend a future Board meeting if this project moves forward.

MINUTES

The Board considered approving the minutes of the September 13, 2010, meeting. After review and discussion, Director Beversdorf moved to approve the minutes of the September 13, 2010, meeting. Director Bernardini seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Austin reviewed the bookkeeper's report, budget comparison, schedule of investments, and presented the District's bills for payment. A copy of the bookkeeper's report is 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. Williams reviewed with the Board the tax assessor/collector's report, a copy of which is attached. She reported that 99.59% of the 2009 taxes have been collected to date. Ms. Williams stated that Wheeler & Associates, Inc. offers a new service of preparing checks in advance for the invoices the District expects to receive from the Harris County Appraisal District. The Board concurred to decline the service. 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.

CONDUCT PUBLIC HEARING REGARDING DISTRICT'S TAX RATE

Ms. Williams stated that Wheeler & Associates, Inc. published a Notice of Public Hearing stating the District anticipates levying a \$0.324 tax rate at this meeting.

Director White then opened the public hearing. No members of the public came forward to make comments. Director White then closed the public hearing.

ADOPT ORDER LEVYING TAXES AND AUTHORIZE EXECUTION OF AMENDMENT TO INFORMATION FORM

Ms. Harrington presented to the Board an Order Levying Taxes for 2010 reflecting a total \$0.324 tax rate comprised of \$0.074 for debt service and \$0.25 for operations and maintenance. Ms. Harrington next presented to the Board an Amendment to Information Form reflecting the 2010 tax rate. After review and discussion, Director Murr moved to adopt the Order Levying Taxes as presented, approve and authorize execution of the Amendment to Information Form, and direct that the Order Levying Taxes and the Amendment to Information Form be filed appropriately and retained in the District's official records. Director Beversdorf seconded the motion, which passed unanimously. The Board confirmed its intention that the 2010 tax levy include a debt service component for the calendar year ending December 31, 2011 and a maintenance tax component for the fiscal year ending December 31, 2011.

REVIEW CAPITAL PROJECTS PLAN AND RECEIVE INPUT FROM OPERATOR AND ENGINEER

Mr. Gustafson stated that he will ask the new area manager from SWWC for input on the capital projects plan and report to the Board.

ENGINEER'S REPORT

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

Mr. Adam updated the Board on the contract for the chloramines disinfection conversion at the water plants. He stated that the North Harris County Regional Water Authority ("NHCRWA") has not commenced the supply of surface water to the District.

Mr. Adam stated that the contractor has completed the cleaning and televising of the sanitary sewer system, Phases 1 and 2. He added that the contractor is working on Phase 3. Mr. Adam stated that he is also working with the operator to locate several manholes.

Mr. Adam stated that the results of the well production test for the Oak Bluff water well were satisfactory. He added that results of the well production test for the Malcomson Road water well were satisfactory but severe vibration was noted in the upper section of the motor. Mr. Adam stated that the motor may need to be pulled at a later date. He added that the vibration could be caused by an unbalanced condition. Mr. Adam stated that he will review the records to determine the type of service that was performed when the well was rehabilitated several years ago.

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

OPERATION OF DISTRICT FACILITIES

Mr. Gustafson reviewed the operator's report with the Board, a copy of which is attached. He stated that a solenoid valve had to be replaced at the Malcomson Road water well following several attempts to receive surface water from the NHCRWA. Mr. Gustafson stated that due to a pressure issue, the NHCRWA will not be able to supply surface water to the District until the NHCRWA adds additional booster pumps to its system. He added that the NHCRWA has not indicated when the addition of the pumps will be completed and surface water supply will commence to the District. Director Murr requested that Mr. Gustafson attend a Heatherwood Homeowner Association meeting on November 4, 2010, to discuss surface water conversion. Director Murr asked that Mr. Gustafson also be prepared to update the residents on the following topics: (1) safety tests the District will conduct on surface water; (2) possible

discoloration that can occur in surface water; (3) the District's current installation of an ortho-injection system to prevent corrosion and reduce discoloration in surface water; (4) the residents' option to pay water bills through the electronic payment system; (5) the District's website; and (6) the District's current televising of the sanitary sewer lines.

Mr. Gustafson stated that he recently received test results for water quality from three districts receiving surface water from the NHCRWA and all of the test results indicated the water met test standards and was in compliance. Mr. Gustafson stated that the NHCRWA recommends that individuals that have internal water softeners or filter systems in their homes contact the manufacturers of the equipment to determine the potential effects of surface water on their filter equipment. Mr. Gustafson updated the Board on his attendance at the NHCRWA meeting. He stated that once the supply of surface water commences from the NHCRWA, the District is expected to take 95% of its water from the NHCRWA, or the District could be charged a disincentive fee. Mr. Gustafson discussed possible remedies if discoloration of the water continues once the District is taking surface water. He stated that the Board may consider pigging or air flushing the lines.

Mr. Gustafson reviewed estimates for paving at the Oak Bluff water plant in the amount of \$3,408.00 and the Malcomson Road water plant in the amount of \$12,242.00 from American Parking Control, Inc. After review and discussion, Director Beversdorf moved to approve the paving at the Oak Bluff water plant in the amount of \$3,408.00 and the Malcomson Road water plant in the amount of \$12,242.00. Director Bernardini seconded the motion, which passed unanimously.

Mr. Gustafson stated that the installation of fascia board at the Oak Bluff water plant and the Malcomson Road water plant has been completed.

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.

SALE OF SERIES B GROUNDWATER CREDITS

There was no discussion on this agenda item.

REPORT ON DAMAGES TO DISTRICT FACILITIES

There was no discussion on this agenda item.

EMERGENCY RESPONSE PLANS

There was no discussion on this agenda item.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

Director Murr updated the Board on the activities of the NHCRWA. Director Murr requested that Mr. Gustafson report monthly on flushing of lines in the District.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director White reported on activities of the LFPAC. He discussed the current project underway for rehabilitation of clarifier nos. 1 and 2 at the plant. Director White stated that the engineer conducted an evaluation of clarifier no. 3. He added that the LFPAC decided to add repairs to clarifier no. 3 to the current contract for rehabilitation of clarifier nos. 1 and 2 through a change order.

CONSTABLE SECURITY PATROL

The Board reviewed a report on the constable security patrol. Director Beversdorf reviewed a letter to the District from the Constable of Precinct 4, a copy of which is attached, reflecting an increase of 4% in the rates for law enforcement services to be effective January 1, 2011.

POSSIBLE INTERLOCAL AGREEMENT WITH LAKE FOREST UTILITY DISTRICT FOR COST SHARING OF CONTRACT WITH HARRIS COUNTY FOR DEPUTY SERVICES

Director Beversdorf stated that he is working on a possible agreement for cost sharing with Lake Forest Utility District.

DISTRICT WEBSITE CONTENT

Director Bernardini discussed updates to the website regarding surface water conversion.

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

(SEAL)

Secretary, Board of Directors

ACTION LIST

1. The operator will report to the Board members of the date on which the District begins receiving surface water.
2. The engineer will prepare the application for the NHCRWA Chloramination Credit.
3. The engineer will report to the Board on information received about other Districts that may be experiencing surface water quality issues.
4. The operator will obtain additional estimates for painting at the water plants.
5. The operator will ask the area manager from SWWC for input on the capital projects plan and report to the Board.
6. The Board will invite one or more of the doctors involved in the proposed medical office building to a future Board meeting if the annexation request from Jesse Mussa moves forward.

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