

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

July 12, 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 12th day of July, 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 Jesse Mussa and Sara Yarbrough of Cypress Construction, Inc.; Yvonne Luevano and Tiny Williams of Wheeler & Associates, Inc.; Gus Gustafson of SWWC Services, Inc.; Mark Adam of AEI Engineering, Inc.; Wendy Austin of District Data Services, Inc.; and Nancy Carter and Janet Swartz of Allen Boone Humphries Robinson LLP.

COMMENTS FROM THE PUBLIC

There were no comments from the public.

REQUEST FOR OUT-OF-DISTRICT SERVICE FROM JESSE MUSSA

Mr. Adam stated that he met with Mr. Mussa regarding his request for out-of-district service. Ms. Carter reviewed the District's procedures for annexation of land into the District. She stated that the District requires that parties requesting annexation submit an application to the District along with a deposit for a feasibility study. Ms. Carter added that if the feasibility study indicates the District has the capacity to serve the tract, the District will also require an annexation agreement that outlines the agreed upon terms which must be met prior to land being annexed into the District. Ms. Carter stated that the District must also obtain approval of the annexation from the City of Houston prior to the land being added to the District.

Mr. Mussa stated that he currently owns a 2.0562 acre tract located outside of the District and he is requesting that the tract be annexed into the District. He stated that once the tract is annexed, he plans to sell it to a group of doctors who propose to construct a medical office building. Mr. Adam stated that in order for the District to

supply water to the tract, a private water line would need to be constructed from the District's valve on Forest Lodge along Louetta Road to the tract. He added that maintenance of the private water line would be the sole responsibility of the owner of the tract. Mr. Adam stated that the sewer line would connect at the rear of the tract and would also be a private line to be maintained by the owner of the tract. Mr. Mussa discussed his estimate of the value of the improvements that would be constructed on the tract. Mr. Adam stated that he would need to conduct a feasibility study to determine if the District has the capacity to serve the tract. Ms. Carter stated that the District will require a deposit of \$20,000 prior to the engineer commencing a feasibility study. After discussion, Director Murr moved to authorize the engineer to conduct a feasibility study upon receipt of a \$20,000 deposit and an executed service application from Mr. Mussa. Director Bernardini seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the June 14, 2010, meeting. After review and discussion, Director Beversdorf moved to approve the minutes of the June 14, 2010, meeting. Director Murr 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. After review and discussion, Director Beversdorf moved to approve the bookkeeper's report, the investment report, and payment of the bills. Director Murr seconded the motion, which passed unanimously.

Director Beversdorf stated that pursuant to a request from the City of Houston (the "City"), he reviewed the current list of commercial businesses in the District in connection with the collection of sales tax revenue pursuant to the Strategic Partnership Agreement. He added that his comments on the current list of businesses were sent to the City.

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

The Board discussed the Association of Water Board Directors ("AWBD") summer conference. After discussion, Director Murr moved to approve reimbursement of eligible expenses for the summer conference, which were submitted in accordance with the District's travel and reimbursement guidelines, and authorize all interested

directors to attend the AWBD winter conference. Director Beversdorf seconded the motion, which carried by unanimous vote.

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 99.16% of the 2009 taxes have been collected to date. 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 updated the Board on the contract for the chloramines disinfection conversion at the water plants. He stated that the conversion to chloramines has been completed. Mr. Adam stated that he needs to notify the North Harris County Regional Water Authority ("NHCRWA") of the date the District is ready to receive surface water. The Board concurred that Mr. Adam should notify the NHCRWA that the District is ready to receive surface water. The Board requested that Mr. Adam notify the directors prior to the District receiving surface water from the NHCRWA.

Mr. Adam then reviewed and recommended approval of Pay Estimate No. 7 in the amount of \$20,356.87 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. 7 in the amount of \$20,356.87 to the R&B Group, Inc. contract. Director Murr seconded the motion, which passed unanimously.

Mr. Adam reported that the Lake Forest Plant Advisory Council will meet July 13, 2010, and that two new bids were received for rehabilitation of the clarifiers.

After review and discussion, Director Beversdorf moved to approve the engineer's report. Director Murr seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES

Mr. Gustafson reviewed the operator's report with the Board, a copy of which is attached.

Mr. Gustafson updated the Board on the status of completion of the punch list items for the Oak Bluff Drive and Malcomson Road water plants. He stated that he is obtaining estimates for the paint work needed at the plants.

Mr. Gustafson stated that the District currently owns 76,524,000 Series A Groundwater Credits and 48,216,000 Series B Groundwater Credits. The Board discussed the possibility of selling the Groundwater Credits. After review and discussion, Director Beversdorf moved to authorize Mr. Gustafson to negotiate the sale of the District's Series B Groundwater Credits at a cost no lower than \$2.00 per credit. Director Bernardini seconded the motion, which passed unanimously.

Mr. Gustafson stated that he will report on the calcium tests being conducted on the water wells at the next meeting. After review and discussion, Director Beversdorf moved to approve the operator's report. Director Murr seconded the motion, which passed by unanimous vote.

DISCUSS WATER CONSERVATION PROGRAM AND AUTHORIZE APPROPRIATE ACTION

The Board concurred that no action was necessary 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 Bernardini seconded the motion, which was approved by unanimous vote.

ADOPT AMENDED RATE ORDER

The Board discussed whether additional provisions need to be added to the Rate Order with regard to private wells within the District. Ms. Carter discussed possible amendments to the Rate Order to regulate irrigation systems served by private wells. The Board concurred to table action on the Rate Order and discuss this matter further at the next meeting.

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 Murr seconded the motion, which passed unanimously. A copy of the termination list is attached.

REPORT ON DAMAGES TO DISTRICT FACILITIES

There was no discussion on this agenda item.

EMERGENCY RESPONSE PLANS

Mr. Bernardini discussed a high speed notification system installed by the City of Tomball to be used during emergency situations. He added that the District could install a similar system at a cost of \$4,500. The Board concurred to not take any action on this matter.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Director Murr reported on activities of the NHCRWA.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director White reported on activities of the LFPAC.

CONSTABLE SECURITY PATROL

The Board reviewed a report on the constable security patrol.

DISTRICT WEBSITE CONTENT

Director Bernardini discussed updates to the website.

RENEWAL OF DISTRICT INSURANCE POLICIES

The Board reviewed an insurance proposal from Highpoint Insurance Group, LLC. Following review and discussion, Director Bernardini moved to accept the proposal from Highpoint Insurance Group, LLC for general liability, law enforcement liability, automobile liability, property, boiler and machinery, directors and officers liability, business travel coverage, workers compensation, pollution, a bond in the amount of \$50,000 to cover the directors, and a bond in the amount of \$100,000 to cover the attorney, bookkeeper, operator, engineer and delinquent tax attorney, and direct that the proposal be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which passed unanimously.

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

(SEAL)

Secretary, Board of Directors

ACTION LIST

1. The engineer will prepare the application for the NHCRWA Chloramination Credit.
2. The engineer will inform the NHCRWA that the District is ready to receive water.
3. The operator and engineer will coordinate on the punch list items for the water plants.
4. The bookkeeper will follow up with the City of Houston to determine why the SPA revenues are down.
5. The operator will inform the directors prior to the District receiving water from the NHCRWA.
6. The operator will report on the calcium tests being conducted on the water wells at the next meeting.

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