

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

INFORMATION KIT

January 2019

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FACT SHEET: DISTRICT OVERVIEW

District Mailing Address and Telephone Number

Harris County Municipal Utility District No. 18
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
Telephone: (713) 860-6400

District Website

www.hcmud18.com

Public Information Officer/Media Contact

David Oliver
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
Telephone: (713) 860-6400

Emergency Contact

David Oliver
Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027
Telephone: (713) 860-6400

For water and sewer emergencies contact

T.R. Riley
Eagle Water Management, Inc.
P.O. Box 11750
Spring, TX 77391-1750
Telephone: (281) 374-8989

MUD created on

May 17, 1972

Size of District and Annexations

- Original size of District at creation: 214.076 acres
- Current size of District (after all annexations to date): 464.1633 acres
- 1,358 active residential connections as of January 2019
- Projected number of residential connections at completion of development is 1,351

Bond History

\$8,300,000 in bonds have been authorized by the voters and \$8,300,000 have been issued. For additional information, please see separate section entitled, "How does the District fund its projects?" and separate fact sheet entitled, "District Bond Issuance History."

Tax Rate

The tax rate has declined from a rate of \$0.49/\$100 in assessed value in 1998 to \$0.38/\$100 in assessed value in 2018. At an election held on November 8, 2011, the voters authorized the District to levy an operation and maintenance tax not to exceed \$0.50 per one hundred dollars (\$100) valuation of taxable property. For additional information, please see separate section entitled, "How does the District fund its projects?"

Current Rate Order

The District's current Rate Order is available by contacting Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, (713) 860-6400.

Subdivisions and Developers/Builders

Subdivisions in the District include Hunters Valley, Western Estates, Lakewood Forest, Heatherwood Village, and Hidden Falls.

A current map of the District is attached.

Directors

The Board of Directors of Harris County Municipal Utility District No. 18 consists of Robert A. Bernardini, Michael L. Murr, Karl Skarboszewski, Vally Swann, and Charlie Kennedy, Jr. For more complete information, please see separate sections entitled "Who manages the District?" and "How can I contact the District?"

Notable District Projects and Accomplishments

1. Reduced tax rate from 1998 to 2018 by 22.4%. Tax rate went from \$0.49 to \$0.38.
2. Improved security at the well sites by the installation of surveillance equipment. Implemented procedures for the detection and prevention of unauthorized activity in and around the water wells.
3. Contracted for Neighborhood Constable Patrols for the five subdivisions located in the District.
4. Completed the New Hike and Bike Trail along Faulkey Gully in conjunction with three other municipal utility districts.
5. Supported water conservation by sponsoring the Harris-Galveston Subsidence District Water Wise Program at Hamilton Elementary School.
6. Qualifying participant in the Association of Water Board of Directors Water Smart Program since 2002.
7. Worked with Heatherwood Homeowner Association on water conservation equipment used for their sprinkler system in the esplanades and with Hunters Valley Homeowners Association on water conservation equipment.
8. Entered into a Strategic Partnership Agreement with the City of Houston which results in additional revenue to the District.
9. Refurbished both water ground storage tanks in the last four years to ensure the District's continuing supply of safe drinking water for its residents.
10. Completed point repairs on all the sewer manholes in the District.
11. Completed a "line flushing" program to remove built-up mineral residues in the District.
12. Established a website for District customers.
13. Multi-year sanitary sewer rehabilitation project commenced in 2011 and was completed in 2017.
14. Rehabilitation of Hidden Falls detention pond completed in 2018.

FACT SHEET: DISTRICT BOND ISSUANCE HISTORY

District voters authorized a total of \$8,300,000 of bonds at elections held on June 17, 1972, August 25, 1973, January 10, 1974, and July 25, 1978, for the purpose of acquiring, constructing, repairing, improving and expanding waterworks, wastewater treatment and storm drainage in the District. The following bonds have been issued:

<u>Type Issued</u>	<u>Series</u>	<u>Amount</u>
Unlimited Tax Bonds	1973	\$ 900,000
Unlimited Tax Bonds	1977	\$3,720,000
Unlimited Tax Bonds	1979	\$2,170,000
Unlimited Tax Bonds	1986	\$ 500,000
Unlimited Tax Bonds	1992	\$1,010,000
TOTAL		\$8,300,000

WHAT IS A MUNICIPAL UTILITY DISTRICT OR MUD?

Municipal utility districts, or “MUDs,” are created to bring public water, sewer, drainage and other basic services to residents who are not served by a city. To accomplish the purposes for which they are created, MUDs are authorized by law to purchase, construct, own, operate and maintain all facilities necessary to supply water to, to collect and treat wastewater from, and to collect, store, and drain stormwater from the land within their boundaries. In addition to providing water, sewer and drainage services, MUDs may provide trash collection, fire service and supplemental security patrol services, and may generally enhance communities by building parks and recreational facilities. In connection with providing services, a MUD adopts rules and charges for the services it provides, enters into contracts for goods and services, incurs debt, and levies taxes.

MUDs are authorized by Article XVI, Section 59 of the Texas Constitution and by Chapters 49 and 54 of the Texas Water Code. MUDs (also called districts) are political subdivisions of the State of Texas. They can perhaps best be described as a fundamental form of local government because they provide municipal level services, have elected officials who either own property or live in the district, and are authorized to assess and collect taxes and sell bonds in order to pay off the debt incurred to construct facilities and to provide their services. Because districts are political subdivisions, their meetings and files, including the meeting minutes, are open to the public. Unless financially dormant or otherwise exempt, each district also has an annual standardized independent audit. The audit results are filed with the Texas Commission on Environmental Quality (“TCEQ”) and are open to the public.

HOW AND WHEN WAS THE DISTRICT CREATED?

Harris County Municipal Utility District No. 18 (“MUD No. 18” or the “District”) was created by the predecessor of the TCEQ in 1972, with the idea that providing water, drainage, sewer and other services to our communities was a job best done by a group of citizens who are residents of the District and who are elected by their neighbors. Operating as a MUD also allows broader latitude to customize services, promote community benefits and respond to opportunities that benefit our customers.

WHO ARE OUR CUSTOMERS AND WHAT AREA DO WE SERVE?

MUD No. 18 is comprised of approximately 464.1633 acres of land located approximately 20 miles northwest of downtown Houston, and 5 miles northwest of the intersection of FM 1960 and State Highway 249. The District is primarily residential in nature, but includes retail and other commercial establishments sufficient to support our residents’ needs. As of January 2019, the District includes the following subdivisions: Hunters Valley, Western Estates, Lakewood Forest, Heatherwood Village, and Hidden Falls.

As of January 2019, the District had 1,421 single family residences, no apartment residences, and 19 commercial enterprises within its boundaries. The 2018 certified valuation for all residential and commercial properties in the District was \$298,100,333. For complete and updated information regarding the number of active residential or commercial connections, you may consult the operator's report attached to the District's last monthly meeting minutes, which are available from Allen Boone Humphries Robinson LLP at (713) 860-6400.

WHAT UTILITY SERVICES DOES THE DISTRICT PROVIDE FOR ITS RESIDENTS?

MUD No. 18 is located entirely within the extraterritorial jurisdiction of the City of Houston. Therefore, its utility systems have been designed and constructed to meet the standards of the City of Houston as well as all applicable standards of the State of Texas.

WATER

The District's water plant facilities have the capacity to supply 1.95 million gallons per day, or 1,500 gallons per minute, of potable water to its residents. In the event of a power failure, the District has an emergency power generator that is equipped to provide emergency power to run the water supply system if power is not available from traditional power supply sources. Although it owns all of its water supply facilities, the District contracts with an independent company, Eagle Water Management, Inc., for the operation of such facilities. The District also has the ability to connect with neighboring districts' water systems via interconnect valves, if necessary during an emergency.

The District is within the boundaries of the North Harris County Regional Water Authority (the "NHCRWA"), which was created by the Texas Legislature. The NHCRWA is a regional entity that supplies surface water to the District in order to meet conversion requirements mandated by the Harris-Galveston Subsidence District. In November, 2010, the District began receiving surface water from the NHCRWA.

The District tests its water supply on a monthly basis and issues a monthly water quality report. A copy of the most recent report may be found at Eagle Water Management, Inc., 5118 Spring Cypress Road, Spring, Texas 77379. The District also annually publishes a consolidated water quality report, the Consumer Confidence Report. A copy of the entire report may be found at Eagle Water Management, Inc., 5118 Spring Cypress Road, Spring, Texas 77379.

WASTEWATER/SEWER

The District treats and processes approximately 350,000 gallons of wastewater every day. The District participates in the Lake Forest Regional Wastewater Treatment Plant along with several other entities. This wastewater treatment plant is operated by Environmental Development Partners, LLC.

DRAINAGE

The District operates and maintains storm water detention, pump station, and outfall facilities that serve the Hidden Falls subdivision as required by Harris County. The District does not own or maintain any other drainage facilities at this time. All other drainage facilities to serve the District are maintained by Harris County or Harris County Flood Control District.

WHAT SERVICES DOES THE DISTRICT PROVIDE OTHER THAN UTILITIES?

LAW ENFORCEMENT

The District has an Interlocal Agreement for Law Enforcement Services with Harris County. Pursuant to this agreement, Harris County authorizes the Constable to provide one sergeant to devote seventy percent (70%) of his working time to provide law enforcement services within the District's boundaries.

WHAT EMERGENCY PLANS DOES THE DISTRICT HAVE?

DROUGHT CONTINGENCY PLAN

The State of Texas requires all MUDs to have a Drought Contingency Plan that sets forth the procedures to be used during various drought conditions. The District's plan is available by contacting Allen Boone Humphries Robinson LLP, (713) 860-6400.

WATER CONSERVATION PLAN

The District has adopted a Water Conservation Plan. The District's plan is available by contacting Allen Boone Humphries Robinson LLP, (713) 860-6400.

POWER OUTAGES

The District is equipped with a generator to provide emergency power to run the water supply system if power is not available from traditional power supply sources.

VULNERABILITY ASSESSMENT

Pursuant to the Bioterrorism Preparedness and Response Act of 2002, the District performed a Vulnerability Assessment on July 1, 2003, and prepared an Emergency Response Plan which was filed with the U.S. Environmental Protection Agency on May 7, 2004.

HURRICANE PROTECTION AND EVACUATION

The District has an Emergency Response Plan in place. The plan includes contact information for the first response team, plan of action in emergencies, vendors list and contact information. A copy of the Emergency Response Plan may be found at Eagle Water Management, Inc., 5118 Spring Cypress Road, Spring, Texas 77379.

HOW DOES THE DISTRICT FUND ITS PROJECTS?

TAXES

The Texas Constitution allows the District, if authorized by its voters, to levy *ad valorem* taxes. Taxes are used to maintain and improve the District's utility systems and to pay off any outstanding bond indebtedness issued by the District. The District's tax rate is set annually by its Board of Directors after consultation with its independent financial advisor, and the rate is the same for all properties within the District, subject to applicable exemptions if any. The District's 2018 tax rate is \$0.38 per \$100 in assessed value for maintenance and operations. The tax rate is set annually in the fall. For complete and updated information regarding the District's tax rate (current and historical), you may consult the District's monthly meeting minutes, which are available from Allen Boone Humphries Robinson LLP, (713) 860-6400.

BONDS

The laws creating the District allow it to finance, subject to voter authorization, various acquisition, construction, maintenance and capital improvement projects for water, sewer and drainage systems by issuing and selling bonds. The District may also issue bonds for park and recreational facilities, and fire protection facilities. The District repays the principal and interest on its bonds through *ad valorem* taxes and/or net operating revenues.

In the typical situation, the developer advances the money necessary to design and construct the District's initial water, sewer, and drainage infrastructure. This advance is conditioned on the District's promise to repay the developer a portion of the expense to the extent approved by the TCEQ if and when property values in the District increase to an amount sufficient to allow the District to sell bonds. In addition to selling bonds to repay the developer for the initial design and installation of the infrastructure system, a

district may sell bonds (1) to install its own initial system; (2) to repair, upgrade, maintain or enhance existing systems; (3) to refund existing bonds in order to lower debt service costs; and/or (4) to fund fire protection facilities, park facilities and roads.

At an election, voters within a district must authorize the issuance of bonds prior to the district being able to issue bonds. Also, the TCEQ (except for refunding bonds) must review and approve the projects to be funded with bond proceeds and the Texas Attorney General must approve the district's authority to sell the bonds and levy the taxes to repay them. Thus, a district cannot and does not incur debt without both voter approval and proper governmental safeguards. Moreover, no bond funds are paid to a developer until there has been a reimbursement audit performed by an independent auditor.

The MUD No. 18 Board of Directors works to balance the need to minimize taxes with the need to provide consistent, quality services. The voters in MUD No. 18 previously authorized the issuance of \$8,300,000 in bonds and the District has issued \$8,300,000 in bonds.

WHO MANAGES THE DISTRICT?

MUD No. 18 is governed by a Board of Directors, with five members who all either own property or reside within the District. The District's Board has financial and operational authority for the District, but retains consultants and contractors who, among other things, operate, maintain, improve, and repair the water, sewer, and drainage systems and plants, bill and collect for water, sewer, and trash collection services the District provides, and provide the District with financial and legal advice.

Board members are elected for four-year staggered terms, with elections held every two years.

The current directors of MUD 18 are:

<u>Name</u>	<u>Title</u>
Robert Bernardini	President
Karl Skarboszewski	Vice President
Michael L. Murr	Secretary
Vally Swann	Assistant Secretary
Charlie Kennedy, Jr.	Assistant Vice President

WHO ASSISTS IN THE OPERATION OF THE DISTRICT?

Auditor

The District has engaged McCall Gibson Swedlund Barfoot PLLC as its auditor. The auditor conducts an independent annual audit that is filed with the TCEQ. The District's audit can be obtained by contacting Allen Boone Humphries Robinson, LLP at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, (713) 860-6400.

Bookkeeper

The District has engaged District Data Services, Inc. as its bookkeeper. The bookkeeper maintains the general ledger, reconciles bank and other financial statements, invests funds in accordance with the Texas Public Funds Investment Act and with the District's Investment Policy, and prepares monthly activity and budget reports.

Engineer

The District has engaged AEI Engineering, LLC as the District's engineer. The engineer oversees the design, construction, and installation of the District's water, sewer, and drainage systems.

Financial advisor

The District has engaged Masterson Advisors LLC as its financial advisor. The financial advisor advises the District on issuing bonds and on adopting the annual tax rate.

General counsel

The District has engaged Allen Boone Humphries Robinson LLP as its general counsel. The District retains attorneys to act as general counsel, advising the Board of Directors on any legal matters that are presented. The firm selected by the Board is principally engaged in representing municipal utility districts in all aspects of their operations.

Bond counsel

The District has engaged Allen Boone Humphries Robinson LLP as its bond counsel. The District retains attorneys to act as bond counsel, who assist in the District's issuance of bonds by providing a legal opinion that the bonds are valid and binding obligations of the District payable from a continuing ad valorem tax. The firm selected by the District is nationally recognized in this area.

Tax counsel

When the District issues bonds, it also engages tax counsel to provide a written legal opinion to the effect that interest income on the bonds is tax-exempt to the bondholders, subject to certain conditions, under existing provisions of the federal Internal Revenue Code.

Investment officer

The District has appointed Wendy Austin of District Data Services, Inc., the District's bookkeeper, as its investment officer. The District appoints an investment officer to oversee the District's investments pursuant to the District's Investment Policy and in accordance with the Texas Public Funds Investment Act. The investment officer and bookkeeper are required to attend training sessions and receive the number of hours of instruction as required by the Texas Public Funds Investment Act.

Operator

The District has engaged Eagle Water Management, Inc. as its operator. The operator is the everyday "face" of the District and is responsible for overseeing the supply and delivery of water, the collection and treatment of wastewater, ongoing inspection and maintenance of the various delivery and treatment systems (such as pipes and plants), maintaining water quality, billing, customer inquiries and issues, and service initiation and termination.

Tax assessor/collector

The District has engaged Wheeler & Associates, Inc. as its tax assessor/collector. The tax assessor/collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

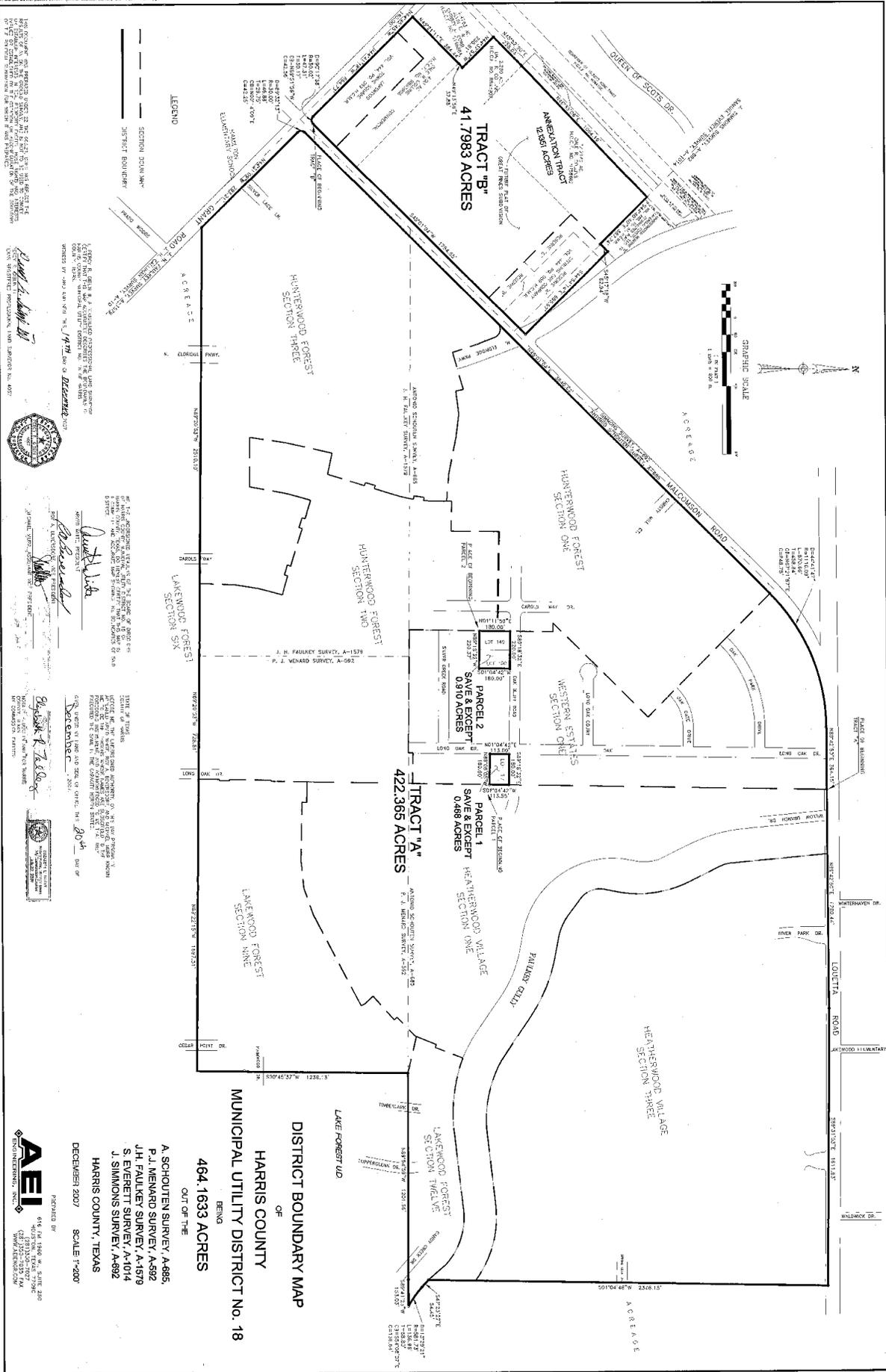
HOW CAN I CONTACT THE DISTRICT?

The District's Board of Directors meets every second Monday of the month at 6:00 p.m. at AEI Engineering LLC, located at 11450 Compaq Center Dr., Suite 660, Houston, Texas 77070. Agendas for each meeting are posted at 12006 Oak Bluff, Houston, Texas 77070 at least 72 hours before every meeting, and the Board of Directors invites all members of the public to attend its meetings.

The District's consultant may be contacted as follows:

Attorney	David Oliver Adisa Harrington	(713) 860-6465 (713) 860-6494
Legal Assistant	Faye Simonds Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	(713) 800-8684
Auditor	Brian Toldan McCall Gibson Swedlund Barfoot PLLC 13100 Wortham Center Drive Suite 235 Houston, Texas 77065	(713) 462-0341
Bookkeeper	Wendy Austin District Data Services, Inc. 9575 Katy Freeway, Suite 390 Houston, TX 77024	(713) 932-7908
Collections Attorney	Mary Elizabeth Duff Amy Urbanek (Legal Assistant) 210 Main Street Richmond, Texas 77469	(281) 341-1718
Delinquent Tax Attorney	Perdue, Brandon, Fielder, Collins & Mott, LLP 1235 North Loop West, Suite 600 Houston, Texas 77008	(713) 862-1860
Engineer	Matthew D. Kelley, P.E. AEI Engineering, LLC. 11450 Compaq Center Drive, Suite 660 Houston, Texas 77070	(281) 350-7027

Financial Advisor	Anthea Moran Masterson Advisors LLC 4400 Post Oak Parkway, Suite 2370 Houston, Texas 77027	(713) 814-0550
Insurance Agent	Kimberly Courte, CPUC Arthur J. Gallagher & Co. 1900 West Loop South Suite 1600 Houston, Texas 77027	(713) 935-8805
Operator	T.R. Riley Eagle Water Management, Inc. P.O. Box 11750 Spring, Texas 77391-1750	(281) 374-8989
Tax Assessor/Collector	Yvonne Luevano Wheeler & Associates, Inc. 6935 Barney Road, Suite 110 Houston, Texas 77092	(713) 462-8906



DISTRICT BOUNDARY MAP
OF
HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT No. 18

BEING
464.1633 ACRES
 OUT OF THE

- A. SCHOUTEN SURVEY, A-885,
- P. J. MENARD SURVEY, A-892
- J. H. FAULKNEY SURVEY, A-1579
- S. EVERETT SURVEY, A-1014
- J. SIMMONS SURVEY, A-892

HARRIS COUNTY, TEXAS
 DECEMBER 2007 SCALE 1"=200'



PREPARED BY

DECEMBER 2007 SCALE 1"=200'

DATE OF FIELD WORK: 12/11/07
 DATE OF PREPARATION: 12/11/07
 DATE OF PUBLICATION: 12/11/07

BY: *[Signature]*
 TITLE: Surveyor

FOR: *[Signature]*
 TITLE: District Manager

LEGEND

- SECTION BOUNDARY
- DISTRICT BOUNDARY

THIS MAP IS A REPRODUCTION OF THE ORIGINAL SURVEY MAP AND IS NOT TO BE USED AS A SUBSTITUTE FOR THE ORIGINAL SURVEY MAP. THE ORIGINAL SURVEY MAP IS THE ONLY AUTHORITY FOR THE LOCATION AND BOUNDARIES OF THE DISTRICT BOUNDARIES SHOWN ON THIS MAP.