

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

March 13, 2017

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 13th day of March, 2017, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Arved White	President
Robert A. Bernardini	Vice President
Michael L. Murr	Secretary
Karl Skarboszewski	Assistant Vice President
Vally Swann	Assistant Secretary

and all of the above were present, except Directors White and Murr, thus constituting a quorum.

Also present at the meeting were Sergeant Wayne Curry of the Harris County Precinct 4 Constable's Office; Wendy Austin of District Data Services, Inc. ("DDS"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Nancy Blackwell of AEI Engineering, Inc. ("AEI"); Chris Oliver of Eagle Water Management, Inc. ("Eagle"); and Adisa Harrington and Rebecca Hudman 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 13, 2017, regular meeting. After review and discussion, Director Bernardini moved to approve the minutes of the February 13, 2017, regular meeting. Director Swann seconded the motion, which passed unanimously.

DISCUSS AUDIT MATTERS AND TAKE APPROPRIATE ACTION

The Board discussed the status of the audit for fiscal year end December 31, 2016. The Board concurred to discuss the matter again at the April 10, 2017, Board meeting.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Austin reviewed the bookkeeper's report, including the updated travel reimbursement report, energy consumption report, and budget comparison, and presented the District's bills for payment. A copy of the bookkeeper's report is attached. Following review and discussion, Director Skarboszewski moved to approve the bookkeeper's report and payment of the bills. Director Bernardini seconded the motion, which passed unanimously.

Director Bernardini discussed the District's current electricity contract with Cavallo Energy Texas, LLC through the Public Power Pool ("P3") program and related matters. Discussion ensued and the Board concurred to participate in the P3 program for the next contract period commencing January 1, 2020.

UPDATE ON SALES TAX MONITORING REPORT FROM SALES REVENUE INC.

No report was given on this matter.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Luevano reviewed the tax assessor/collector's report and the delinquent tax roll, copies of which are attached. She reported that 95.3% of the 2016 taxes had been collected as of February 28, 2017. Following review and discussion, Director Bernardini moved to approve the tax assessor/collector's report and payment of the tax bills. Director Skarboszewski seconded the motion, which carried unanimously.

AUTHORIZE CONSULTANTS TO RESEARCH UNCLAIMED PROPERTY AND AUTHORIZE TAX ASSESSOR/COLLECTOR TO PREPARE AN UNCLAIMED PROPERTY REPORT AS OF JUNE 30, 2017, FOR THE PERIOD ENDING JUNE 30, 2014

Ms. Luevano requested authorization to prepare an unclaimed property report as of June 30, 2017, for the period ending June 30, 2014, and to coordinate with other District consultants as needed in researching unclaimed property for the report. Following discussion, Director Bernardini moved to authorize Ms. Luevano to prepare the report and coordinate with other District consultants as needed in researching unclaimed property for the report. Director Swann seconded the motion, which passed by unanimous vote.

ENGINEER'S REPORT

Ms. Blackwell reviewed the engineer's report, a copy of which is attached.

Ms. Blackwell gave an update on the Grant Road widening project.

Ms. Blackwell gave an update on Lake Forest Plant Advisory Council activities and reviewed the Plant engineer's report, a copy of which is attached to the engineer's report.

Ms. Blackwell reviewed a revised summary of current and anticipated future capital projects, a copy of which is attached to the engineer's report.

Ms. Blackwell updated the Board on the maintenance and operational improvements recommended by AEI for the Hidden Falls storm drainage/detention pond system. She reviewed the updated summary of recommended operational improvements for the system, a copy of which is attached to the engineer's report. Ms. Blackwell recommended and requested that the Board approve the plans and specifications and authorize advertisement for bids for construction of the Hidden Falls Detention Pond rehabilitation/modification project once the bid package is completed. She then reviewed and recommended that the District include incentive and disincentive fees in the construction contract for the project due to project's time-sensitive nature.

Ms. Blackwell reported that AEI is coordinating with the owner of a vacant lot adjacent to the Hidden Falls Pond rehabilitation/modification project for use of the lot as a staging area for the project, and that she will present the proposed arrangements to the Board for approval at the next meeting.

Ms. Blackwell updated the Board on the Sanitary Sewer Rehab - Phase VI project. She presented and recommended approval of Pay Estimate No. 5 and Final in the amount of \$109,616.60, payable to Texas Pride Utilities, LLC. A copy of Pay Estimate No. 5 and Final is attached to the engineer's report.

Ms. Blackwell discussed the five-year evaluation of the hydropneumatic tank at the Malcomson Road water plant and stated that a summary report will be presented to the Board once the work is complete.

Ms. Blackwell discussed a water and sewer rate analysis from 2014 and inquired whether AEI should update the analysis. The Board concurred to defer the matter until the April Board meeting.

After review and discussion, and based upon the engineer's recommendations, Director Bernardini moved to (1) approve the engineer's report; (2) approve the plans and specifications and authorize the engineer to advertise for bids for construction of the Hidden Falls Detention Pond rehabilitation/modification project once the bid package is completed; (3) approve the inclusion of incentive/disincentive fees in the contract for construction of the Hidden Falls Detention Pond rehabilitation/modification project; and (4) approve Pay Estimate No. 5 and Final in the amount of \$109,616.60, payable to Texas Pride Utilities, LLC, for the Sanitary Sewer

Rehab-Phase VI project. Director Swann seconded the motion, which was approved by unanimous vote.

MAINTENANCE AND DEVELOPMENT OF PROPOSED PARK TRACT

The Board discussed the proposed park and agreed to table action on development of the park until after the Hidden Falls Detention Pond rehabilitation/modification project has been completed.

EMERGENCY RESPONSE PLANS

Director Bernardini updated the Board on emergency response plans.

OPERATION OF DISTRICT FACILITIES AND HEARING ON TERMINATION OF WATER AND SEWER SERVICE

Mr. Oliver presented the operator's report, a copy of which is attached, and reported on maintenance work in the District. He stated that the District's water accountability for the previous month was 92.1%.

Mr. Oliver reviewed Eagle's procedures for activating new customer accounts and advised that for identity theft prevention purposes, new customers must submit their applications for District service in person rather than electronically.

Mr. Oliver reviewed a letter from the District resident located at 12607 Oakcroft Drive requesting that the District contribute 50% of the estimated \$5,000 cost to replace a section of 8-foot wood fence between the Malcomson Road water plant and the resident's lot. Discussion ensued and the Board concurred to authorize Eagle to send a letter to the resident notifying the resident that the District will pay 50% of the actual cost to replace the 8-foot wood fence section between the Malcomson Road water plant and 12607 Oakcroft Drive, up to a maximum amount of \$2,500, contingent upon replacement of the fence by a professional fencing company and an inspection by Eagle.

Ms. Harrington reported Eagle is entering into a Treasury Management Services Agreement with BBVA/Compass for Compass to provide electronic lockbox services and reviewed a Resolution Approving Treasury Management Services and Authorizing Operator. Mr. Oliver requested that the Board adopt the Resolution.

Mr. Oliver discussed the annual report on implementation of the Water Conservation Plan and stated it is being prepared.

Ms. Harrington reviewed the District's Drought Contingency Plan ("Plan"). She stated the District's consultants are recommending no changes be made to the Plan. The Board concurred that no changes were necessary to the current Plan at this time.

Mr. Oliver presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment.

After review and discussion, Director Skarboszewski moved to (1) accept the operator's report; (2) authorize Eagle to send a letter to the resident at 12607 Oakcroft notifying the resident that the District will pay 50% of the actual cost to replace the 8-foot wood fence section between the Malcomson Road water plant and the resident's lot, up to a maximum amount of \$2,500, contingent upon replacement of the fence by a professional fencing company and an inspection by Eagle; (3) adopt the Resolution Approving Treasury Management Services and Authorizing Operator and direct that the Resolution be filed appropriately and retained in the District official records; (4) approve the annual report on implementation of the Water Conservation Plan, subject to finalization; and (5) authorize termination of delinquent accounts in accordance with the District's Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which carried unanimously.

AMEND RATE ORDER

The Board discussed amending the District's Rate Order. After review and discussion, Director Bernardini moved to adopt an Amended Rate Order containing evergreen language allowing the District to pass through the North Harris County Regional Water Authority ("NHCRWA") fee increase to \$3.35 per 1,000 gallons of water used, effective April 1, 2017, as well as future NHCRWA fee increases, and direct that the Rate Order be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which passed unanimously.

APPROVE INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT FOR WATER WISE PROGRAM

The Board deferred discussion on this matter.

SALE OF SERIES B GROUNDWATER CREDITS

Ms. Harrington stated that there have been no requests for Series B groundwater credits.

NHCRWA

No report was given on this matter.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director Skarboszewski updated the Board on LFPAC matters.

CONSTABLE SECURITY PATROL MATTERS

Sergeant Curry discussed security matters in the District. A copy of the security report is attached.

REVIEW ACTION LIST

The Board reviewed the action list.

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



A handwritten signature in blue ink, appearing to be "S. Skarboszewski", written over a horizontal line.

Secretary, Board of Directors

ACTION LIST

New Items:

1. Eagle will send a letter to the resident at 12607 Oakcroft notifying the resident that the District will pay 50% of the actual cost to replace the 8-foot wood fence section between the Malcomson Road water plant and the resident's lot, up to a maximum amount of \$2,500, contingent upon replacement of the fence by a professional fencing company and an inspection by Eagle. Eagle will provide the draft letter to ABHR for review and approval prior to sending the letter.

Pending Items:

1. Mr. Fortner will report back to the Board regarding the State's review of certain businesses in the District to confirm that the businesses are properly charging sales tax, once the issue is resolved.
2. Director Murr and AEI will follow-up with CenterPoint Energy regarding drainage options for the eight-acre park tract.
3. Director Murr will visit Hamilton Middle School to discuss sponsorship for the Water Wise Program.
4. AEI and Eagle will coordinate to conduct the five-year evaluation of the hydropneumatic tank at the Malcomson Road water plant.

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