

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

May 8, 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 8th day of May, 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 Director White, thus constituting a quorum.

Also present at the meeting were Alan Sandersen and Bryant A. Gaudette of Sandersen Knox & Co., LLP; 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 April 10, 2017, regular meeting. After review and discussion, Director Swann moved to approve the minutes of the April 10, 2017, regular meeting. Director Bernardini 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 and the pending audit deadline.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. Harrington stated that the District's insurance policies with W.I.N. through Arthur J. Gallagher & Co. expire on August 12, 2017. Discussion ensued regarding the

current insurance coverage and the Board concurred to table action on renewing the District's insurance policies until the next Board meeting.

#### TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR THE ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE

The Board discussed the District's Travel Reimbursement Guidelines and the Association of Water Board Directors summer conference. After discussion, Director Bernardini moved to authorize the directors attending the conference to receive up to four per diems, three nights of hotel expense, and reimbursement for up to three meals a day during the conference. Director Skarboszewski seconded the motion, which passed by unanimous vote.

#### 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 Bernardini moved to approve the bookkeeper's report and payment of the bills. Director Swann seconded the motion, which passed unanimously.

#### 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 97.54% of the 2016 taxes had been collected as of April 30, 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.

#### 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. She stated that an AT&T subcontractor may have damaged a waterline in the District. She noted that Eagle investigated and detected no leaks, but will continue to monitor the waterline.

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 reported that the contracts with R Miranda Trucking and Construction, LLC in the amount of \$180,000 for the construction of the Hidden Falls Detention Pond rehabilitation/modification project are ready for Board execution, but will not be released until the insurance and bonds have been reviewed.

Ms. Blackwell discussed the rehabilitation of the hydropneumatic tank at the Malcomson Road water plant and stated that bids for the work will be solicited in late summer/early fall, and that the work will be scheduled during the winter when water demand is reduced.

Ms. Blackwell stated that AEI's water and sewer rate analysis from 2014 is being updated and will be presented when complete.

After review and discussion, and based upon the engineer's recommendations, Director Skarboszewski moved to approve the engineer's report. Director Murr seconded the motion, which passed 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

The Board conducted a review of the District's Emergency Operations Plan and discussed emergency response training. The Board tabled action and concurred to discuss this matter further at the next regularly scheduled Board meeting.

#### 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 and Director Bernardini reported on a complaint received from a Hidden Falls resident regarding water discoloration issues. Discussion ensued and the

Board requested that Eagle follow up with the resident, sample the water at the residence, and increase flushing of adjacent District lines if needed.

Ms. Harrington stated that the District's Identity Theft Prevention Program (the "Program") requires Eagle to provide an annual written report addressing the effectiveness of the Program, significant instances of identity theft detection, and any recommendations regarding changes to the Program. Mr. Oliver reviewed a report on the District's Program. He stated that the report indicates no significant incidents of identity theft detection and recommends no changes to the Program. The Board concurred that it was not necessary to adopt a Program amendment.

Mr. Oliver reviewed the Consumer Confidence Report ("CCR") with the Board. He reported that the District's drinking water is regulated by the Texas Commission on Environmental Quality ("TCEQ") to ensure the water is meeting all of the requirements as stated in the Federal Drinking Water Standards, which also requires the District to publish a CCR to residents in the District regarding the status of the drinking water. He stated that the Environmental Protection Agency allows for electronic CCR delivery with a customer option to request a paper CCR. He requested Board authorization to include a website link to the CCR on the June water bill in lieu of mailing out hard copies of the CCR to all District customers, and provide hard copies of the CCR only to those customers who request hard copies. Mr. Oliver stated he will email the CCR to Director Bernardini for posting on the District's website.

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 Bernardini moved to (1) accept the operator's report; (2) approve the CCR, subject to review and finalization, and authorize the operator to include a website link to the CCR on customer water bills in lieu of mailing out hard copies of the CCR to all District customers, provide hard copies of the CCR to those customers who request hard copies, file the certificate of mailing with the TCEQ, and post the CCR on the District's website; and (3) terminate service to the customers on the termination list because no customers were either present at the meeting or had presented any written statement on the matter. Director Murr seconded the motion, which carried unanimously.

Ms. Harrington stated that the District is required to report its critical load facilities annually to the Harris County Emergency Management Coordinator, the Public Utility Commission of Texas, the Division of Emergency Management of the Governor's office, the District's retail electric provider, and the District's transmission and distribution utility company. She then reviewed the Critical Load Spreadsheet of

District Facilities (the "Spreadsheet") and stated that the engineer, operator and bookkeeper were given the Spreadsheet for review prior to the meeting. Following review and discussion, Director Bernardini moved to (1) approve the Spreadsheet; (2) authorize ABHR to file the Spreadsheet with the Harris County Emergency Management Coordinator, the Public Utility Commission of Texas, the Division of Emergency Management of the Governor's office, the District's retail electric provider, and the District's transmission and distribution utility company; and (3) direct that the Spreadsheet be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which carried unanimously.

#### APPROVE AUDIT

Mr. Sandersen reviewed the District's audit for fiscal year end December 31, 2016. Following review and discussion, Director Skarboszewski moved to (1) approve the audit, subject to Director and consultant review and ABHR final approval; (2) authorize the Attorney to execute the Texas Commission on Environmental Quality ("TCEQ") Annual Filing Affidavit; (3) authorize filing of the audit with the TCEQ; and (4) direct that the audit be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which was approved by unanimous vote.

Director Murr requested future receipt of the draft audit for review one month prior to the audit deadline to the TCEQ. The Board concurred to send any draft audit comments to ABHR by May 10, 2017.

#### SALE OF SERIES B GROUNDWATER CREDITS

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

#### NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")

Director Murr reported on NHCRWA matters.

#### LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC")

Director Skarboszewski updated the Board on LFPAC matters.

#### CONSTABLE SECURITY PATROL MATTERS

Director Bernardini discussed security matters in the District. A copy of the security report is attached.

#### WEBSITE MATTERS

Director Bernardini gave an update on the District's website.

## REVIEW ACTION LIST

The Board reviewed the action list.

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



*Valery S. ...*

Secretary, Board of Directors

## ACTION LIST

### New Items:

1. Eagle will follow up with the Hidden Falls resident who complained of water discoloration issues, sample the water at the residence, and increase flushing of adjacent District lines if needed.
2. Eagle will provide the CCR to Director Bernardini for posting on the District's website.
3. AEI and Eagle will provide printed materials to assist the Board in preparing a water conservation presentation.
4. ABHR will request the insurance consultant attend the next Board meeting to answer Board questions.
5. Eagle will monitor a waterline that may have been damaged by an AT&T subcontractor for possible leaks.

### 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 once the Hidden Falls Detention Pond rehabilitation/modification project is complete.
3. Ms. Blackwell and Mr. Murr will follow up with Harris County to confirm whether the staging area for the Grant Road widening project can remain in place and be used for future parking for the proposed District park once the Grant Road widening project is complete.
4. AEI will solicit bids for the hydropneumatic tank recoating project at the Malcomson Road water plant in late summer/early fall and schedule the work for the winter period.
5. AEI will prepare an updated water and sewer rate analysis.

LIST OF ATTACHMENTS TO MINUTES

	<u>Page</u>
Bookkeeper's report.....	2
Tax assessor/collector's report .....	2
Delinquent tax roll .....	2
Engineer's report.....	2
Operator's report.....	3
Security report.....	5