

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

April 9, 2018

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 9th day of April, 2018, at the offices of AEI Engineering, LLC, 11450 Compaq Center Drive, Suite 660, Houston, Texas 77070, outside the boundaries of the District, and the roll was called of the members of the Board:

Robert A. Bernardini	President
Karl Skarboszewski	Vice President
Michael L. Murr	Secretary
Charlie Kennedy, Jr.	Assistant Vice President
Vally Swann	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Sergeant Wayne Curry of the Harris County Precinct 4 Constable's Office; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("MGSB"); Wendy Austin of District Data Services, Inc. ("DDS"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Matt Kelley of AEI Engineering, Inc. ("AEI"); Chris Oliver and T. R. Riley of Eagle Water Management, Inc. ("Eagle"); and Adisa Harrington, Alyssa Ollwerther, and Faye Simonds 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 March 12, 2018, regular meeting. After review and discussion, Director Swann moved to approve the minutes of the March 12, 2018, regular meeting as presented. Director Skarboszewski seconded the motion, which passed unanimously.

CONSTABLE SECURITY PATROL MATTERS

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

APPROVE AUDIT FOR FISCAL YEAR END DECEMBER 31, 2017

Mr. Toldan presented and reviewed the District's proposed audit for the fiscal year ended December 31, 2017. After review and discussion, Director Bernardini

moved to approve the audit, subject to final Director and consultant review, authorize filing of the audit with the Texas Commission on Environmental Quality (“TCEQ”), and direct that the audit be filed appropriately and retained in the District’s official records. Director Skarboszewski seconded the motion, which passed unanimously.

#### FINANCIAL AND BOOKKEEPING MATTERS

Ms. Austin reviewed the bookkeeper’s report, including the updated travel reimbursement report, energy consumption report, budget comparison, and quarterly investment report, and presented the District’s bills for payment. A copy of the bookkeeper’s report is attached.

Ms. Harrington reviewed a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

After review and discussion, Director Skarboszewski moved to (1) approve the bookkeeper’s report and payment of the bills; and (2) adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions and direct that the Resolution be filed appropriately and retained in the District’s official records. Director Bernardini seconded the motion, which passed unanimously.

Ms. Austin reported that the Hidden Falls homeowners association (“HOA”) is in arrears in paying their share of the monthly electricity bills for the electricity meter that serves both HOA facilities and the District’s stormwater pump station. She stated she will follow up with the HOA representative regarding payment of the amounts owed.

#### 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 97.34% of the 2017 taxes had been collected as of March 31, 2018. 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.

Ms. Luevano reported that she has finished reviewing the District’s tax records and there are no unclaimed amounts to be escheated to the State of Texas for the period ending June 30, 2015.

#### ENGINEER’S REPORT

Mr. Kelley reviewed the engineer’s report, a copy of which is attached.

Mr. Kelley gave an update on the Grant Road widening project. He stated that AEI is coordinating with the operator and Harris County on the required modifications to address the utility conflicts identified in the District.

Mr. Kelley 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.

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

Mr. Kelley updated the Board on the construction of the Hidden Falls Detention Pond rehabilitation/modification project. He stated that the contractor has addressed the deficiencies and AEI is waiting on the turf establishment on the CenterPoint easement before the project will be closed out and the one-year warranty period will begin.

Mr. Kelley updated the Board on the recommended replacement of the 12-inch water line that crosses Faulkey Gully at Forest Lodge. He stated that AEI is currently preparing the solicitation package. He added that AEI is tentatively scheduled to solicit bids in the spring, subject to obtaining all necessary agency approvals.

Mr. Kelley presented the revised water and sewer rate analysis using 2017 rates and expenses for the Board's review, a copy of which is attached. After discussion, the Board concurred to hold a special meeting on April 30, 2018, at 4:00 p.m. at the offices of Murr Incorporated, 11803 Grant Road, Suite 208, Houston, Texas 77429. The Board requested that Mr. Kelley work with Harris County Precinct 3 or 4 regarding the financing of the sidewalk along Grant Road and bring the exhibit to show where the sidewalks are located.

Mr. Kelley updated the Board on the sanitary sewer rehabilitation, phase 6. He stated that the one-year warranty review was held on March 6, 2018. He added that the contractor is nearing completion of the one-year televising of the rehabilitated lines, which will then be reviewed by AEI for warranty issues.

Mr. Kelley updated the Board on the sanitary sewer manhole evaluation. He reviewed two options to repair the sanitary sewer manholes, which are included as part of the engineer's report. Discussion ensued.

The Board discussed touring the two water plants to evaluate the facilities and equipment in order to prepare a schedule for future maintenance, as well as touring the regional wastewater treatment plant later this year.

After review and discussion, and based upon the engineer's recommendations, Director Bernardini moved to (1) approve the engineer's report; (2) authorize the repair of the manholes as discussed, in an amount not to exceed \$50,000; and (3) hold a special

meeting for a tour of the facilities to identify and discuss a maintenance schedule, as recommended by the engineer and the operator. Director Murr seconded the motion, which passed by unanimous vote.

#### RENEWAL OF AGREEMENT WITH MALCOMSON ROAD UTILITY DISTRICT FOR SANITARY SEWER LINE

The Board discussed the renewal of the Agreement with Malcomson Road Utility District ("Malcomson Road UD") for Sanitary Sewer Line. Ms. Harrington reported that ABHR is working with the attorney for Malcomson Road UD to prepare the necessary amendment, which will be based on the agreed upon, updated pro rata capacity shares for the District and Malcomson Road UD.

#### EMERGENCY RESPONSE PLANS

There was no discussion on this matter.

#### OPERATION OF DISTRICT FACILITIES

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 98.83%.

Mr. Oliver updated the Board on the flushing of hydrants in the Heatherwood section of the District. Discussion ensued regarding potential causes of the ongoing water quality issues in Heatherwood, and temporarily converting from chloramine to chlorine disinfection to address the water quality issues. Following discussion, the Board directed Eagle to notify the Texas Commission on Environmental Quality of the temporary conversion and to work with ABHR to draft a notice that can be posted on the District's website advising residents of the temporary conversion.

Mr. Oliver stated that the pavement at water plant no. 2 is deteriorating due to the expansion of Grant Road. He recommended discontinuing the use of beams at both water plants, but maintaining security monitoring of the plants.

Mr. Oliver reported on the current status of the gate and fence at the Oak Bluff water plant. After discussion, the Board requested that Eagle provide proposals for the gate and fence repairs at the next regular Board meeting.

Mr. Oliver reported that CenterPoint damaged a District waterline, which caused water loss and resulted in Eagle having to repair the line. After discussion, the Board directed Eagle to send an invoice to CenterPoint for the cost of the repair and water loss.

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.

The Board requested that Eagle look into providing online registration for customers to open new accounts in the District.

After review and discussion, Director Bernardini moved to (1) accept the operator's report; (2) authorize Eagle to notify the Texas Commission on Environmental Quality of the temporary conversion and to work with ABHR to draft a notice that can be posted on the District's website advising residents of the temporary conversion; (3) discontinue use of security beams at both water plants but maintain security monitoring; (4) authorize Eagle to obtain proposals for the repair of the gate and fence at the Oak Bluff water plant; and (5) authorize Eagle to pursue reimbursement from CenterPoint for the cost of repair to the District's waterline and related water loss. Director Murr seconded the motion, which carried unanimously.

#### HEARING ON TERMINATION OF WATER AND SEWER SERVICE

The Board conducted a hearing on the termination of utility service. Mr. Oliver reported that the residents on the termination list provided to the Board were mailed written notice prior to the meeting in accordance with the District's Rate Order, notifying them of the opportunity to appear before the Board to explain, contest, or correct the utility service bill, and to show reason why utility service should not be terminated for reason of nonpayment. Director Bernardini moved that since the residents on the termination list were neither present at the meeting nor had presented any statement on the matter, utility service should be terminated in accordance with the procedures set forth in the District's Rate Order, and direct that the delinquent customer list be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which carried unanimously.

#### DISCUSS MAINTENANCE AND ALARM MONITORING FOR WATER PLANTS

The Board requested that ABHR follow up with McCann regarding the quarterly reports.

#### SALE OF SERIES B GROUNDWATER CREDITS

Ms. Harrington stated that there were no inquiries from buyers of Series B groundwater credits.

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

Director Murr reported on NHCRWA matters.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC") MATTERS

Director Skarboszewski reported on the most recent LFPAC meeting.

WEBSITE MATTERS

The Board discussed District website matters. After review and discussion, Director Bernardini moved to approve posting of the District's annual electricity usage on the District's website. Director Murr seconded the motion, which passed unanimously.

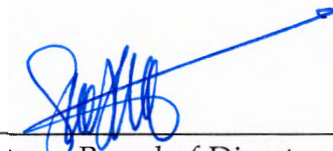
REORGANIZE THE BOARD

The Board considered reorganization of the Board. No action was taken.

REVIEW ACTION LIST

The Board reviewed the action list.

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



Secretary, Board of Directors

(SEAL)



## ACTION LIST

### New Items:

1. Ms. Austin will follow up with the Hidden Falls HOA representative regarding payment of amounts owed for the HOA's share of joint electricity bills.
2. Mr. Kelley will work with Harris County Precinct 3 or 4 regarding the financing of the sidewalk along Grant Road and bring the exhibit to show where sidewalks are located to the special meeting on April 30, 2018.
3. Mr. Kelley will update the water and sewer rate analysis scenarios for the special meeting on April 30, 2018.
4. The Board will review the water and sewer rate analysis and sidewalk options at the special meeting on April 30, 2018, and consider adopting an amended Rate Order.
5. AEI will review the one-year televising of rehabilitated sanitary lines for the sanitary sewer rehabilitation, phase 6 project to determine if there are any warranty issues.
6. Eagle will repair manholes in the District, at a cost not to exceed \$50,000.
7. The Board will schedule a special meeting to tour the District's facilities for the purpose of identifying and reviewing items to be included on the maintenance schedule.
8. Eagle will notify the TCEQ of the temporary switch from chloramine to chlorine disinfection and work with ABHR to prepare a notice for posting on the District's website.
9. Eagle will present a proposal for gate and fence repairs at Oak Bluff water plant at the May meeting.
10. Eagle will investigate options for providing online registration for customers who open new accounts in the District.
11. Eagle will invoice CenterPoint for the cost of repair to a District waterline and related water loss.
12. ABHR will follow up with McCann to request quarterly alarm monitoring reports.

Pending Items:

1. Eagle will continue to work on the water quality in Heatherwood Village, including a temporary switch from chloramine to chlorine disinfection.
2. ABHR and AEI will coordinate with the attorney and engineer for Malcomson Road UD to prepare an amendment to the agreement.
3. AEI will prepare the solicitation package for the replacement of the water line across Faulkey Gully.
4. AEI will coordinate with the operator and Harris County on the required modifications to address the utility conflicts for the Grant Road widening project.
5. McCann will contact the District's operator whenever the alarm system is triggered, review the alarm settings at the plants, and provide a quarterly alarm system report to ABHR for distribution to the Board and applicable consultants.
6. Director Bernardini will work on website updates as needed.
7. Director Murr and AEI will follow-up with CenterPoint regarding drainage options for the eight-acre park tract once the Hidden Falls Detention Pond rehabilitation/modification project is complete.
8. Mr. Kelley and Director 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.



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