

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

May 14, 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 14th day of May, 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; Anthea Moran of Masterson Advisors, LLC ("Masterson"); Wendy Austin of District Data Services, Inc. ("DDS"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Matt Kelley of AEI Engineering, Inc. ("AEI"); T. R. Riley of Eagle Water Management, Inc. ("Eagle"); and Adisa Harrington 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 April 9, 2018, regular meeting. After review and discussion, Director Skarboszewski moved to approve the minutes of the April 9, 2018, regular meeting as presented. Director Swann seconded the motion, which passed unanimously.

RECEIVE PRESENTATION FROM MASTERSON ADVISORS, LLC, AND TAKE ACTION AS NECESSARY

Ms. Moran stated she is no longer employed with Hilltop Securities, Inc. ("Hilltop") and requested the Board engage Masterson Advisors LLC ("Masterson") for its financial advisory services. She then reviewed a Financial Advisory Contract with Masterson. Discussion ensued regarding transferring the District's records from Hilltop to Masterson and the process for terminating the current contract with Hilltop. Following review and discussion, Director Murr moved to (1) authorize ABHR to

execute a letter to Hilltop Securities, Inc. regarding termination of the Financial Advisory Contract and direct that the letter be filed appropriately and retained in the District's official records; and (2) approve and authorize execution of the Financial Advisory Contract with Masterson, subject to ABHR review, and direct that the Contract be filed appropriately and retained in the District's official records. Director Bernardini 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.

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, 2018. Discussion ensued and the Board concurred for ABHR to obtain a renewal proposal from Arthur J. Gallagher & Co. for review at 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 Skarboszewski 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 Bernardini seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

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

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 97.65% of the 2017 taxes had been collected as of April 30, 2018.

Ms. Luevano noted that the Parson House Cypress refund was due to a reduction in value, not an exemption.

Following review and discussion, Director Skarboszewski moved to approve the tax assessor/collector's report and payment of the tax bills. Director Murr seconded the motion, which carried unanimously.

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. Riley stated that he received a request from Sam's Seafood and Steaks for reimbursement in the amount of \$1,000.00, for projected loss of business due to interruption of water service on May 10, which was caused by the Grant Road widening project.

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 has submitted the plans to the state and local agencies for review and approval, and that AEI will solicit bids for the project once the plans are approved.

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 reported AEI was contacted by an engineer representing Public Storage on Louetta Road regarding service and potential annexation into the District. He added that the request is for one equivalent single-family connection to supply water and wastewater service to the office building and an onsite apartment. He then requested authorization to conduct a feasibility study to determine if the District has sufficient capacity to serve the tract, if utilities need to be extended, and where the tract should connect to the District's facilities. Discussion ensued regarding the associated costs of the feasibility study and the amount of deposit payable by Public Storage.

Mr. Kelley updated the Board on the sanitary manhole evaluation project. He reported that there is a tree growing over a manhole located at 14703 Cedar Point Drive, which is preventing the manhole from being opened. He advised that cutting the roots of the tree could potentially kill the tree. The Board discussed Eagle contacting the resident for Eagle to remove the tree and replace with a 30 gallon tree to be planted further away from the manhole.

Ms. Harrington reported that the former owner of the park tract has inquired whether the person who used to mow the park tract and use the mowed grass as hay can resume mowing and harvesting hay. Discussed ensued and the Board concurred to have the District's maintenance company continue mowing the tract, rather than the previous individual.

After review and discussion, and based upon the engineer's recommendations, Director Skarboszewski moved to (1) approve the engineer's report; (2) authorize ABHR to send a letter to Sam's Seafood and Steaks denying its request for reimbursement for projected loss of business, pursuant to the District's Rate Order; (3) authorize AEI to conduct a feasibility study for the Public Storage tract on Louetta Road, subject to receipt of a deposit in the amount of \$5,000 from Public Storage; and (4) authorize Eagle to remove the tree and replace with a 30 gallon tree to be located further away from the manhole. 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

Ms. Harrington stated that the District's Emergency Operations Plan has been updated to reflect updated water plant structural plans. She presented a Resolution Adopting Amended District Emergency Operations Plan. Following review and discussion, Director Bernardini moved to (1) approve the changes to the District's Emergency Operations Plan to reflect updated water plant structural plans; and (2) approve the Resolution Adopting Amended District Emergency Operations Plan and direct that the Resolution be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which carried unanimously.

OPERATION OF DISTRICT FACILITIES

Mr. Riley 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 96.22%.

Mr. Riley updated the Board on the ongoing water quality issues in the Heatherwood section of the District, and the temporary conversion from chloramine to chlorine disinfection to address the water odor issues. Discussion ensued regarding odor issues associated with the chlorine disinfection process, related news coverage, and options for providing advance notice to residents of future chlorine disinfection processes and other District activities that impact residents.

After review and discussion, Director Skarboszewski moved to accept the operator's report. Director Bernardini seconded the motion, which carried unanimously.

The Board concurred to hold a special meeting on June 13, 2018 at the offices of Murr Incorporated to review the 2017 water rate analysis and discuss options for communicating with District residents.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE

The Board conducted a hearing on the termination of utility service. Mr. Riley 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 Murr 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 Skarboszewski seconded the motion, which carried unanimously.

REVIEW CRITICAL LOAD SPREADSHEET FOR DISTRICT'S FACILITIES AND AUTHORIZE ANNUAL FILING

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 Skarboszewski seconded the motion, which carried unanimously.

APPROVE CONSUMER CONFIDENCE REPORT ("CCR") AND AUTHORIZE OPERATOR TO MAIL CCR AND FILE CERTIFICATE OF MAILING WITH THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ")

Mr. Riley 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. Riley stated he will email the CCR to Ms. Simonds for posting on the District's website.

Following review and discussion, Director Skarboszewski moved to 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. Director Bernardini seconded the motion, which carried unanimously.

DISCUSS MAINTENANCE AND ALARM MONITORING FOR WATER PLANTS

Ms. Harrington reported that the Service Agreement with McCann Securities has been terminated effective June 1, 2018.

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 meetings. Ms. Harrington gave an update on the pending Agreement for Operation and Maintenance of Regional Wastewater Treatment Facilities. No Board action was taken.

WEBSITE MATTERS

The Board discussed District website matters.

REVIEW ACTION LIST

There was no discussion on this item.

2018 DIRECTORS ELECTION

CERTIFICATE OF ELECTION

The Board considered approving a Certificate of Election, reflecting the election of Michael Murr and Karl Skarboszewski to the Board of Directors of the District, each for a four-year term. After review and discussion, Director Bernardini moved to approve the Certificate of Election and the distribution of same to Directors Murr and Skarboszewski, and direct that the Certificate of Election be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which passed by unanimous vote.

DIRECTORS' SWORN STATEMENTS, OFFICIAL BONDS AND OATHS OF OFFICE

Ms. Harrington reviewed the Sworn Statements and Oaths of Office for Directors Murr and Skarboszewski. After review and discussion, Director Bernardini moved that the Board approve the Sworn Statements and Oaths of Office and direct that the documents be filed appropriately and retained in the District's official records, and that the Oaths of Office be filed with the Secretary of State, as required by law. Director Skarboszewski seconded the motion, which passed by unanimous vote.

REORGANIZE THE BOARD

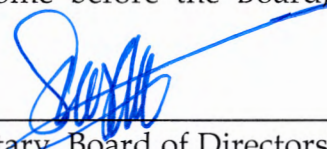
The Board agreed to take no action to reorganize the Board and concurred that the officers should retain their existing positions.

DISTRICT REGISTRATION FORM

The Board then considered authorizing filing of an updated District Registration Form with the Texas Commission on Environmental Quality

("TCEQ"), reflecting the terms of the newly elected directors and the change in financial advisors. Following review and discussion, Director Bernardini moved to authorize filing of the updated District Registration Form with the TCEQ and direct that the District Registration Form be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which passed by unanimous vote.

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



Secretary, Board of Directors

(SEAL)



ACTION LIST

New Items:

1. ABHR will obtain a renewal proposal from Arthur J. Gallger & Co for review at the next Board meeting.
2. ABHR will send a letter to Sam's Seafood and Steaks denying its request for reimbursement for projected loss of business, pursuant to the District's Rate Order;
3. AEI will conduct a feasibility study for the Public Storage tract on Louetta Road, subject to receipt of a deposit in the amount of \$5,000 from Public Storage;
4. Eagle will remove the tree covering the manhole at 14703 Cedar Point Drive and replace it with a 30-gallon tree to be located further away from the manhole.

Pending 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. 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.
3. Eagle will repair manholes in the District, at a cost not to exceed \$50,000.
4. 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.
5. Eagle will present a proposal for gate and fence repairs at Oak Bluff water plant.
6. Eagle will investigate options for providing online registration for customers who open new accounts in the District.
7. Eagle will invoice CenterPoint for the cost of repair to a District waterline and related water loss.
8. Eagle will continue to work on the water quality in Heatherwood Village, including a temporary switch from chloramine to chlorine disinfection.
9. ABHR and AEI will coordinate with the attorney and engineer for Malcomson Road UD to prepare an amendment to the sanitary sewer line agreement.

10. AEI will prepare the solicitation package for the replacement of the water line across Faulkey Gully.
11. AEI will coordinate with the operator and Harris County on the required modifications to address the utility conflicts for the Grant Road widening project.
12. Director Bernardini will work on website updates as needed.
13. 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.
14. 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.

LIST OF ATTACHMENTS TO MINUTES

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