

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

August 13, 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 13th day of August, 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 except Director Swann, 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"); 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").

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.

COMMENTS FROM THE PUBLIC; OPERATION OF DISTRICT FACILITIES

Mr. Riley reported Eagle received correspondence from Ms. Adler, a District resident, stating the fees charged for surface water listed on the District's website are misleading. Following discussion, the Board concurred to update the surface water fee information on the District's website and requested that Mr. Riley contact Ms. Adler to thank her for bringing this to the Board's attention.

Mr. Riley stated Eagle also received correspondence from Ms. Cassels, a District resident, regarding a water leak and requesting an adjustment to her July water bill. Discussion ensued. Following discussion, Director Bernardini moved to authorize Eagle to provide Ms. Cassel a one-time adjustment on her water bill, by reducing the higher usage rate to the lowest tiered usage rate. Director Murr seconded the motion, which passed unanimously.

MINUTES

The Board considered approving the minutes of the July 9, 2018, regular meeting. After review and discussion, Director Skarboszewski moved to approve the minutes of the July 9, 2018, regular meeting as presented. Director Bernardini seconded the motion, which passed unanimously.

UPDATE ON DISTRICT INSURANCE RENEWAL MATTERS

Ms. Harrington presented and reviewed a breakdown of the annual percentage change in the District's insurance premium from 2010 to the present, a copy of which is attached. No action was taken by the Board.

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 98.74% of the 2017 taxes had been collected as of July 31, 2018.

Ms. Luevano distributed and reviewed the delinquent tax attorney report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached. She noted that she has asked Perdue to provide additional reports on a quarterly basis going forward.

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

DISCUSS 2018 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Ms. Luevano reported she has not yet received the District's certified values but expects to receive them later this month. The Board requested Ms. Luevano provide the District's financial advisor, Anthea Moran, with a copy of the District's certified values, and that Ms. Moran prepare a 2018 tax rate analysis and attend the September Board meeting.

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 Hamilton Elementary School has reconnected to the private force main and he added they have finished coating the District's manhole to prevent degradation from H₂S gas. He stated AEI will continue to coordinate with the contractor for Harris County regarding any future conflicts with construction.

Mr. Kelley reviewed a summary of current and anticipated future capital projects, a copy of which is attached to the engineer's report, and stated there were no changes to the summary.

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 updated the Board on the construction of the Hidden Falls Detention Pond rehabilitation/modification project. He stated vegetation has been established, and once the contractor's final pay request has been received and processed, AEI will recommend final payment and begin the warranty period. He reviewed the Certificate of Completion and recommended the Board approve final acceptance of the project and authorize execution of the Certificate of Completion.

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 will advertise for bids once approval of plans by all necessary agencies has been received. He stated that in order for the project to be completed, one of the District's two water lines would need to be disconnected. He added that if there were to be a problem with the remaining connected water line, the District would need to revert to an emergency water interconnect. Ms. Harrington stated ABHR's standard construction contract includes a disincentive fee of \$500 per day, and she inquired whether the Board would like to increase the disincentive fees and/or include incentive fees for early completion. Following discussion the Board concurred to limit the time for disconnection and reconnection of the District's water line to 7 days and use ABHR's standard construction contract with \$500-per-day disincentive fees and no incentive fees.

Mr. Kelley reported AEI has received a deposit in the amount of \$5,000 from Public Storage for the feasibility study. He stated he will present a report to the Board at the next meeting.

Mr. Kelley updated the Board on the sanitary manhole evaluation project. He reported that the design is complete and requested authorization to solicit bids.

Mr. Kelley updated the Board on the District's water plant electrical improvements. He reviewed revised cost estimates for electrical upgrades to the District's water plants, copies of which are attached to the engineer's report. Discussion ensued regarding the options available, and the Board concurred to proceed with all three options.

Mr. Kelley reported AEI has received the 50% plans from Harris County Flood Control District ("HCFCD") showing the proposed repairs to Faulkey Gully following Hurricane Harvey. He added AEI is in the process of reviewing the plans to provide comments to HCFCD's engineer sometime during the next couple of weeks. The Board requested that AEI email a copy of the plans to Directors for their review.

Following review and discussion, Director Skarboszewski moved to (1) approve the engineer's report; (2) approve final acceptance of the contract for the construction of the Hidden Falls Detention Pond rehabilitation/modification project and authorize execution of the Certificate of Completion; (3) authorize the engineer to solicit bids for the sanitary manhole evaluation project; and (4) authorize the engineer to design the three water plant electrical improvement options, as discussed. Director Murr seconded the motion, which passed by unanimous vote.

DISCUSS BETTY LOU PARK AND AUTHORIZE APPROPRIATE ACTION

Ms. Harrington reviewed the Deed without Warranty between Mr. Dale Collins and the District, noting that the Deed now includes ABHR's proposed revisions. Following discussion, Director Bernardini moved to approve the Deed without Warranty, and direct that the Deed be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which carried unanimously.

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

Ms. Harrington updated the Board on the proposed Joint Sanitary Sewer Line Agreement between Malcomson Road Utility District ("Malcomson Road UD") and the District. She stated that Malcomson Road UD requested a provision for the District to obtain approval from Malcomson Road UD before significantly increasing the District's flow into the shared sewer line, and that she has added a provision that will be reciprocal and apply to both parties. Discussion ensued regarding Malcomson Road UD's possible annexation of a 20-plus-acre residential tract, which would flow through the shared line. It was noted that the potential Malcomson Road UD annexation may trigger the new reciprocal change-in-flow provision.

EMERGENCY RESPONSE PLANS

The Board requested that Eagle review the Emergency Response Plan to see if Eagle's contact information needs to be updated and coordinate with ABHR accordingly.

OPERATION OF DISTRICT FACILITIES, CONTINUED

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 100.2%.

Mr. Riley reported that Director Murr and he visited the site of the 16-foot utility easement between the Hidden Falls subdivision and North Eldridge Parkway which requires mowing. Following discussion, the Board requested Eagle obtain a proposal from Lawns and More for the monthly mowing of the 16-foot utility easement to present at the next meeting. Mr. Riley reported that Lawns and More currently mow the District's plant sites. Ms. Harrington noted that the District does not currently have a Service Agreement with Lawns and More. Discussion ensued and the Board requested ABHR forward a proposed Service Agreement to Eagle for execution by Lawns and More, and that Eagle and Director Murr coordinate with Lawns and More regarding the scope of work to be included in the Service Agreement.

After review and discussion, Director Skarboszewski moved to accept the operator's report. 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. 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 Skarboszewski moved that, because 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.

REVIEW NEW OPERATOR RATE PROPOSAL AND IF APPROPRIATE, AMEND OPERATOR SERVICE AGREEMENT AND RATE ORDER

Mr. Riley presented a Second Amendment to the Service Agreement with Eagle for an increase in rates. Ms. Harrington reviewed proposed new Rate Order charges and fees recommended by Eagle. Discussion ensued regarding (1) increasing the initial

security deposit to \$125.00 and capping the deposit \$500.00, and (2) increasing the monthly grease trap inspection fee to \$75.00.

After discussion, Director Skarboszewski moved to (1) approve the Second Amendment to the Service Agreement with Eagle and direct that the amendment be filed appropriately and retained in the District's official records; and (2) adopt and authorize execution of the Amended Rate Order, as discussed, and direct that the amended Rate Order be filed appropriately and retained in the District's official records. Director Murr seconded the motion, which passed unanimously.

SALE OF SERIES B GROUNDWATER CREDITS

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

NHCRWA MATTERS

Director Murr reported on NHCRWA matters. Mr. Riley stated Eagle included water conservation brochures in the last water bill and added that brochures would be included with the District's next five water bills.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC") MATTERS

Director Skarboszewski reported on the most recent LFPAC meetings.

WEBSITE MATTERS

Director Bernardini updated the Board on website matters. Ms. Harrington added that Off Cinco has confirmed that 51 residents are now registered to receive email blasts.

Ms. Harrington reported on the upcoming election on August 25, 2018, regarding Harris County Flood Control District bonding authorization. She added that if the Board would like to post information regarding the election on the District's website, ABHR has drafted approved language to encourage residents to vote in the election. Following discussion, the Board concurred not to post any election language on the District's website.

REPORTS FROM DISTRICT DIRECTORS AND CONSULTANTS

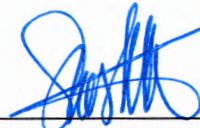
Mr. Riley stated he investigated options for providing online registration for customers who open new accounts in the District. He added Eagle's current policy requires customers to open new accounts in person and does not allow for online account registration. Ms. Harrington reported that certain other operators are using third-party systems to provide verification of identity in accordance with the Red Flag program to allow online registration, but that she does not know the cost involved.

Discussion ensued and the Board concurred not to pursue online account registration at this time.

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. Eagle will contact Ms. Adler, a District resident, to thank her for bringing the issue with the surface water fee on the District's website to the Board's attention.
2. ABHR will work with Director Bernardini to revise the wording on the District's website regarding surface water rates.
3. Ms. Luevano will provide the District's financial advisor, Anthea Moran, with a copy of certified values, and Ms. Moran will prepare a 2018 tax rate analysis and attend the September Board meeting.
4. AEI will solicit bids for the sanitary manhole evaluation project.
5. AEI will design the water plant electrical improvements.
6. Eagle will review the Emergency Response Plan to see if Eagle's contact information needs to be updated and coordinate with ABHR accordingly.
7. ABHR will prepare a proposed Service Agreement with Lawns and More and coordinate with Eagle and Director Murr regarding the scope of work.
8. Eagle will provide copies of the NCHRWA water conservation brochures included in the District's water bills to Director Murr for the District's Water Smart application.

Pending Items:

1. AEI will conduct a service request feasibility study for the Public Storage tract on Louetta Road.
2. Under AEI's supervision, the contractor will (1) repair manholes in the District, at a cost not to exceed \$50,000 and (2) 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.
3. ABHR will coordinate with the attorney and engineer for Malcomson Road UD to finalize the new sanitary sewer line agreement.
4. AEI will solicit bids for the replacement of the water line across Faulkey Gully.
5. AEI will coordinate with the operator and Harris County on the required modifications to address the utility conflicts for the Grant Road widening project.

LIST OF ATTACHMENTS TO MINUTES

	<u>Page</u>
Security report.....	1
Insurance premium breakdown.....	2
Bookkeeper's report.....	2
Tax assessor/collector's report.....	2
Delinquent tax report.....	2
Engineer's report.....	3
Operator's report.....	5