

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

November 12, 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 12th day of November, 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
Vally Swann	Assistant Secretary
Charlie Kennedy, Jr.	Assistant Vice President

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

Also present at the meeting were Chuck Baumgarten of Hidden Falls Homeowners Association ("Hidden Falls HOA"); 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"); Tom Matkin of AEI Engineering, LLC ("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

Mr. Baumgarten introduced himself as the President of Hidden Falls HOA. He stated Hidden Falls HOA may request a water meter and service to irrigate the landscaping around the detention pond. He reported that Hidden Falls HOA has been using an existing well for irrigation, but this has failed twice and is expensive to repair, and they are looking for other options. Mr. Baumgarten added Hidden Falls HOA currently obtains service from the District for one meter used to irrigate the entrance of the subdivision. The Board discussed the water conservation and management benefits of using smart irrigation controllers for irrigating common areas in the District.

MINUTES

The Board considered approving the minutes of the October 1, 2018, special meeting and October 8, 2018, regular meeting. After review and discussion, Director Bernardini moved to approve the minutes of the October 1, 2018, special meeting and October 8, 2018, regular meeting as presented. Director Skarboszewski seconded the motion, which passed unanimously.

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 Swann seconded the motion, which passed unanimously.

BUDGET FOR FISCAL YEAR END DECEMBER 31, 2019

Ms. Austin reviewed the draft budget for fiscal year end December 31, 2019, a copy of which is included in the bookkeeper's report. Discussion ensued and the Board concurred to adopt the budget at the December Board meeting.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

Ms. Harrington reviewed the District's Investment Policy to determine if any amendments were necessary. After discussion, the Board determined not to make any amendments to its Investment Policy. Director Bernardini moved to adopt a Resolution Regarding Annual Review of Investment Policy reflecting that no amendments were necessary to the Investment Policy at this time, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Swann seconded the motion, which carried by unanimous vote.

ADOPT RESOLUTION ESTABLISHING AUTHORIZED DEPOSITORY INSTITUTIONS AND LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

Ms. Harrington reviewed a Resolution Establishing Authorized Depository Institutions and List of Qualified Broker/Dealers With Whom the District May Engage in Investment Transactions and stated that the Resolution updates the list of institutions with which the District may invest funds. After discussion, Director Bernardini moved to adopt the Resolution Establishing Authorized Depository Institutions and 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 Swann seconded the motion, which carried by unanimous vote.

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 2.80% of the 2018 taxes had been collected as of October 31, 2018.

Ms. Luevano stated a 2018 tax statement has been sent to Jecobian and Rachel Richardson for the annual fee pursuant to the Out-of-District Service Agreement.

Director Swann noted the 2018 certified value for the District is 28% lower than 2017. Ms. Luevano stated she would investigate the reason for the decrease in the District's certified value.

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

ENGINEER'S REPORT

Mr. Matkin reviewed the engineer's report, a copy of which is attached.

Mr. Matkin gave an update on the Grant Road widening project. He stated Harris County declined to provide a median cut to improve access to the Malcomson Road water plant, but has provided a wider radius on the curb transition to the driveway to allow more room when turning into the water plant. Mr. Riley stated that Eagle has tested the new wider-radius access point to the plant and confirmed it does provide improved access.

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

Mr. Matkin 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. Matkin updated the Board on the construction of the Hidden Falls Detention Pond rehabilitation/modification project. He stated AEI is awaiting revised plans for the waterfall extension.

Mr. Matkin reported AEI contacted Hidden Falls HOA regarding their request for a water meter and service to irrigate the landscaping around the detention pond. He also reported Hidden Falls HOA is only aware of one private well at 12710 Tenaya Falls, and added it is used for irrigation of a home located on two lots. Discussion ensued and the Board concurred for Eagle to inspect the private well to ensure there is no cross-connection to the District's water system and to notify Hidden Falls HOA that the District will provide a water meter and service to Hidden Falls HOA to irrigate the

landscaping around the detention pond, subject to inspection of the existing HOA well and confirmation of an airgap to prevent cross-connection to the District's system.

Mr. Matkin updated the Board on the pending replacement of the 12-inch water line that crosses Faulkey Gully at Forest Lodge. He stated that bids were received and recommended that the Board award the contract to AR Turnkee Construction Company Inc. in the amount of \$94,965. The Board concurred that, in its judgment, AR Turnkee Construction Company Inc. was a responsible bidder who would be most advantageous to the District and would result in the best and most economical completion of the project.

Mr. Matkin updated the Board on the service request from Public Storage. He stated that AEI has released the feasibility study and is currently awaiting the \$10,000 annexation deposit. Discussion ensued regarding including the additional development-related requirements discussed at the last Board meeting in the pending Annexation Letter and whether to also require restrictive covenants to be recorded for the tract as a condition for annexation. The Board concurred to discuss this further at the next Board meeting.

Mr. Matkin updated the Board on the sanitary manhole evaluation project. He reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$2,250.00 to T. Gray Utilities.

Mr. Matkin updated the Board on the District's water plant electrical improvements. He reported that design is underway.

Mr. Matkin updated the Board on the 50% plans from Harris County Flood Control District ("HCFCD") for the proposed repairs to Faulkey Gully. He reported AEI has reviewed the revised plans and provided additional comments to HCFCD's engineer.

Mr. Matkin presented water plant evaluation reports for the District's two ground storage tanks, copies of which are attached to the engineer's report. He stated that the interior and exterior of the Oak Bluff water tank is in good condition. He added the exterior of the Malcomson Road water tank is in good condition, with the interior in fair condition. He recommended maintaining the annual evaluation and performing a full evaluation on the Malcomson Road water tank next year, which will require draining the tank and removing it from service. Mr. Riley stated that Eagle conducts five-year inspections of the interior of water tanks, and that he will investigate when the District's next five-year inspection is due.

Following review and discussion, and based on the engineer's recommendation, Director Skarboszewski moved to (1) approve the engineer's report; (2) award the contract for the replacement of the 12-inch water line that crosses Faulkey Gully at Forest Lodge to AR Turnkee Construction Company Inc. in the amount of \$94,965,

subject to approval of the payment and performance bonds and review of the certificates of insurance and endorsements, if any, provided by the contractor; and (3) approve Pay Estimate No. 1 in the amount of \$2,250.00 to T. Gray Utilities for the sanitary sewer manhole rehabilitation project. Director Bernardini seconded the motion, which passed by unanimous vote.

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.

ADOPT RESOLUTION ESTABLISHING NEW CRITERIA FOR SURETIES ISSUING PAYMENT AND PERFORMANCE BONDS

Ms. Harrington presented a Resolution Establishing New Criteria for Sureties Issuing Payment and Performance Bonds. Following review and discussion, Director Bernardini moved to adopt the Resolution Establishing New Criteria for Sureties Issuing Payment and Performance Bonds and direct that the Resolution be filed appropriately and retained in the District's official records. Director Skarboszewski seconded the motion, which carried unanimously.

EMERGENCY RESPONSE PLANS

There was no discussion on this matter.

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 96.77%.

Mr. Riley stated he contacted the County's subcontractor, Angel Brothers, regarding reimbursement for damage caused to District facilities in connection with the Grant Road widening project. He added he will advise the District once he has received a response.

The Board discussed payment plans for delinquent customers who request a payment plan. Following discussion, the Board concurred for Director Skarboszewski to work with Eagle to prepare a draft letter to delinquent customers who request a payment plan notifying them of the terms of the plan, for Board review at the next meeting.

Ms. Harrington stated a resident submitted an inquiry through the District's website regarding damage to the fence that separates the resident's back yard from the Malcomson Road water plant. Discussion ensued regarding the requested repairs and

Mr. Riley stated he will inspect the water plant fence to determine whether other areas of the fence also need to be repaired.

After review and discussion, Director Murr moved to (1) accept the operator's report; and (2) authorize Eagle to obtain proposals to replace the damaged fence at Malcomson Road water plant, with an option to stain the fence, and undertake the work, subject to final approval of the cost by Director Skarboszewski. Director Skarboszewski 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 Murr moved to authorize Eagle to notify the residents on the termination list of their nonpayment, but not to disconnect resident's utility service until January 2019, after the holidays. Director Skarboszewski seconded the motion, which carried unanimously.

CONDUCT TESTS ON WATER WELLS

Mr. Riley reported that Eagle has conducted the necessary tests on water wells and these are regularly scheduled. The Board concurred to remove this as an annual agenda item.

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. He stated that the NHCRWA website includes a video regarding the rising cost of water. The Board discussed providing the link on the District's website. Following discussion, the Board concurred for Director Bernardini to review the video and, if appropriate, add the link to the District's website. Director Murr requested Eagle provide him with copies of the NHCRWA water conservation brochures that were included in the District's water bills, in connection with preparation of the District's Water Smart application.

LAKE FOREST PLANT ADVISORY COUNCIL ("LFPAC") MATTERS

Director Skarboszewski reported on the most recent LFPAC meetings. Mr. Matkin and Director Skarboszewski updated the Board on additional revisions to the

proposed Agreement for Operation and Maintenance of Regional Wastewater Treatment Facilities. Discussion ensued and Director Skarboszewski stated he will follow up with the LFPAC regarding the revisions to the Agreement at their next meeting.

The Board reviewed the LFPAC budget for fiscal year end December 31, 2019. Following review, Director Skarboszewski moved to adopt the LFPAC budget. Director Bernardini seconded the motion, which passed by unanimous vote.

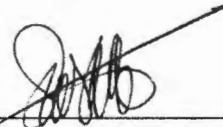
WEBSITE MATTERS

The Board reviewed the monthly activity report provided by Off Cinco, a copy of which is attached. Director Bernardini updated the Board on website matters.

REVIEW ACTION LIST

The Board reviewed the action list. Discussion ensued and the Board concurred to switch to a chart format for the action list, have the consultants address their respective action list items as part of their monthly report, and remove the action list as a separate agenda item.

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



Secretary, Board of Directors

(SEAL)



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