

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

February 11, 2019

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 11th day of February, 2019, 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 David Gooch, a resident of the District; Sergeant Wayne Curry of the Harris County Precinct 4 Constable's Office; Anthea Moran of Masterson Advisors LLC ("Mastersons"); Wendy Austin of District Data Services, Inc. ("DDS"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Matt Kelley of AEI Engineering, LLC ("AEI"); T. R. Riley and Doug Jacobson 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

Mr. Gooch addressed the Board regarding the 105% pass through fee for water, exemptions from taxation for individuals who are 65 years of age or older, and the District meeting time. He proposed increasing the exemption from \$50,000 to \$100,000 and moving the meeting start time to 7:00 p.m. to accommodate working residents. Discussion ensued.

MINUTES

The Board considered approving the minutes of the January 14, 2019, meeting. After review and discussion, Director Swann moved to approve the minutes of the January 14, 2019, 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.

Ms. Austin presented and reviewed with the Board an amended budget for fiscal year end December 31, 2019.

The Board discussed the AWBD winter conference. Ms. Austin noted the director expenses were submitted in accordance with the District's Travel Reimbursement Guidelines.

Following review and discussion, Director Bernardini moved to (1) approve the bookkeeper's report and payment of the bills; (2) adopt the amended budget for fiscal year end December 31, 2019, as discussed; and (3) approve reimbursement of eligible expenses for the winter conference and authorize all interested Directors to attend the AWBD summer conference. Director Skarboszewski seconded the motion, which passed unanimously.

UPDATE DISTRICT INFORMATION KIT

Ms. Harrington reviewed the updated District Information Kit. Following review and discussion, Director Skarboszewski moved to approve the Information Kit, subject to updating the District boundary map, and direct that it be filed appropriately and retained in the District's official records. Director Bernardini seconded the motion, which passed by unanimous vote.

Director Bernardini requested the updated District Information Kit be posted on the District's website.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Luevano reviewed the tax assessor/collector's report and the delinquent tax roll, copies of which are attached, and tax items on the attached action list. She reported that 91.56% of the 2018 taxes had been collected as of January 31, 2019.

Ms. Luevano reported residents who are sixty-five years of age or older claiming exemptions increased from 232 in 2009 to 442 in 2019. She added that 17 residents claimed the disability exemption.

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.

SALES TAX MONITORING REPORT FROM SALES REVENUE INC.

The Board deferred action on this agenda item.

ENGINEER'S REPORT

Mr. Kelley reviewed the engineer's report, a copy of which is attached, and engineering items on the attached action list.

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

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 pending replacement of the 12-inch water line that crosses Faulkey Gully at Forest Lodge. Mr. Kelley reported that AEI is awaiting revised insurance documents from AR Turnkey Construction Company, Inc. before issuing notice to proceed.

Mr. Kelley updated the Board on the sanitary manhole evaluation project. He reported the project is 98% complete. He reviewed and recommended approval of Pay Estimate Nos. 3 and 4 in the amount of \$25,211.73 and \$3,740.40, respectively, to T Gray Utility & Rehabilitation, LLC.

Mr. Kelley updated the Board on the service request from Public Storage. He stated the \$10,000 annexation deposit has not yet been received.

Mr. Kelley updated the Board on the District's water plant electrical improvements. He requested authorization to advertise for bids.

Mr. Kelley 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 not yet received a summary of proposed work from HCFCD's engineer for the Faulkey Gully repair project, as the project has been delayed.

Mr. Kelley reported the one-year warranty review for the Hidden Falls detention pond rehabilitation was completed on January 2, 2019. He stated that the contractor has re-seeded the area and once sufficient growth is established, AEI will issue the one-year acceptance certificate.

Following review and discussion, and based upon the engineer's recommendation, Director Bernardini moved to (1) approve the engineer's report; (2) approve Pay Estimate Nos. 3 and 4 in the amounts of \$25,211.73 and \$3,740.40, respectively, to T Gray Utility & Rehabilitation, LLC for the sanitary manhole

evaluation project; and (3) authorize AEI to advertise for bids for electrical improvements to the District's water plants. Director Kennedy seconded the motion, which passed by unanimous vote.

ANNEXATION MATTERS

Ms. Harrington stated that ABHR will finish drafting the pending Annexation Letter Agreement and property restrictions once the \$10,000 annexation deposit has been received from Public Storage.

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 and reviewed operator items on the attached action list. He stated that the District's water accountability for the previous month was 91.76%.

Mr. Riley reported that the District's insurance has accepted liability for Ms. Parker's request for reimbursement for water damage resulting from the sanitary sewer backup. He added Eagle paid for Ms. Parker's home to be professionally inspected and sanitized by ServPro at a cost of \$135.00. Ms. Harrington stated Eagle should process their invoice for the sanitization through the District's insurance loss adjuster.

Mr. Riley then reviewed the operator items on the attached action list. Ms. Simonds distributed correspondence from the County's subcontractor, Angel Brothers, regarding the District's request for reimbursement for damage caused to District facilities in connection with the Grant Road widening project. Following discussion, the Board concurred for Director Skarboszewski to coordinate with Eagle to inspect the area of the damage and provide their findings to Ms. Harrington and for Ms. Harrington to then contact Angel Brothers regarding the disputed claim.

Mr. Riley reported Hamilton Middle School has requested a fire line and meter. Ms. Harrington stated the District's agreement with Hamilton Middle School for water service does not contain specific provisions regarding tap fees but does reference the District's Rate Order. Following discussion, the Board concurred for Eagle to notify Hamilton Middle School of the non-taxable user tap fees in accordance with the District's Rate Order.

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

SALE OF SERIES B GROUNDWATER CREDITS

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

DISCUSS WATER SUPPLY AND WASTEWATER DISPOSAL CONTRACT WITH CYPRESS FAIRBANKS INDEPENDENT SCHOOL DISTRICT

Ms. Harrington reviewed the current Water Supply and Wastewater Disposal contract with Cypress Fairbanks Independent School District ("Cy-Fair ISD"). Discussion ensued regarding including annual meter accuracy testing, maintenance record submittal, and backflow preventer requirements to the contract. Following discussion the Board concurred for Ms. Harrington to contact Cy-Fair ISD to discuss renewal of and revisions to the contract.

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.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Ms. Moran presented and reviewed a 2019 Exemption Analysis, a copy of which is attached. She stated that the District currently rejects a general residential homestead exemption, and grants a \$50,000 exemption for persons over 65 years of age and a \$100,000 exemption for disabled persons. She reported that the District currently loses \$76,000 a year in tax revenue due to the exemption for persons over 65 years of age and \$6,460 due to the exemption for disabled persons. She added that increasing the exemption amount for persons over 65 years of age would result in the District having to impose a higher tax rate to fund maintenance and operation of the District's facilities due to the tax shortfall. Discussion ensued and the Board concurred to defer action on this agenda item to the next regular meeting.

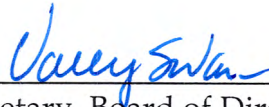
WEBSITE MATTERS

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.

SCHEDULE TOUR OF DISTRICT AND REGIONAL FACILITIES

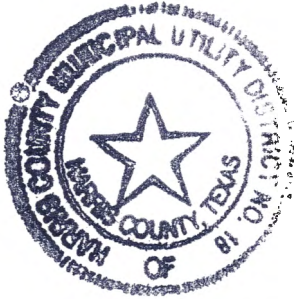
The Board discussed scheduling a tour of District and regional facilities. Following discussion, the Board concurred to schedule a special meeting on March 7, 2019, at 3 p.m.

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



Secretary, Board of Directors

(SEAL)



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