

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, April 3, 2014

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, April 3, 2014, at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, whereupon the roll was called of the members of the Board to-wit:

Roy P. Lackey	President
Tiffani C. Bishop	Vice President/Investment Officer
Sharon L. Cook	Secretary
Eric Daniel	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present except Director Daniel, thus constituting a quorum. Consultants in attendance were: Teague Harris, P.E. of IDS Engineering Group ("IDS" or "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Eagle" or "Operator"); Robin Gribble of WCA Waste Corporation of Texas ("WCA"); and Andrew P. Johnson, III, attorney, and Mirna Croon, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

The President called the meeting to order at 6:54 p.m., and in accordance with the notice posted pursuant to law, the following business was transacted:

I. **Public Comment.** There was no public comment.

II. **General Business.**

A. **District's Website.** Director Dunn reported that Residential Recycling of Texas ("RRT") is planning to conduct an e-waste collection and document destruction event on May 24, 2014 from 10 a.m. to 2 p.m. at Khorville Elementary School. The Board asked JRPB to notify the homeowners' associations in the District of the event and to have the event information posted on the District's website. Additionally, RRT will generate a flyer for the Operator to include with the water bills to be mailed at the end of April.

B. **Pay Bills and Pay Estimates.** Director Lackey discussed Invoice No. 8523 from BL Technology, Inc. ("BLTI") in the amount of \$2,098 in connection with the Water Plant Nos. 1 and 2 cyber-security improvements ("CCTV"). Director Lackey stated that BLTI has not demonstrated that the CCTV improvements are functional nor have they provided any type of operating instructions, thus he would be unable to recommend that the final payment to BLTI be approved at this time. Director Lackey next reported on his correspondence with BLTI stating that he informed them that the invoice will be paid once the CCTV improvements are functional. Extensive discussion ensued regarding BLTI performance and Director Lackey noted that BLTI is yet to complete the SCADA system for the

Dungrove Lift Station although it has been longer than two (2) years since the contract was approved.

Director Lackey next stated that the wireless connection at Water Plant ("WP") No. 1 was down for three (3) months, as reported at the previous Board meeting. Director Lackey stated that the District's SCADA systems rely on the data connection and the District should have a procedure in place to track and notify the District of any wireless connection outages.

Mr. Dunn next presented to and reviewed with the Board an Outage and Change Management Procedures proposal, stating that a cost to create and monitor the program is \$277.30 per month. Discussion then ensued regarding the District's agreements with various internet/telecommunication providers and Mr. Dunn stated that he would review such agreements, rerate the lines and solicit proposals for the Board's review, at no cost to the District.

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion and with Director Dunn abstaining, the Board approved the On-Site Protection proposal at a cost of \$277.30 per month, a copy of which is attached hereto as Exhibit "A".

- C. WCA Waste Corporation of Texas report ("WCA"). The President recognized Ms. Gribble who introduced herself and responded to questions from the Board pertaining to WCA's garbage collection services. Ms. Gribble noted that WCA recently purchased another garbage collection company and due to staffing and operational adjustments the collection times vary at this time. Mr. Gribble stated that this is a short term issue and the collection times should stabilize soon.
- D. Authorize attendance at the Association of Water Board Directors ("AWBD") Summer Conference. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board approved the Directors' attendance at the AWBD Summer conference in Fort Worth, Texas being held from June 12, 2014 to June 15, 2014.
- E. Review Directors Reimbursement Policy (the "Policy"). Mr. Johnson reviewed the Policy and pointed out limitations on expense reimbursements with the Board ahead of the AWBD Conference.
- F. Discuss insurance proposal. Ms. Croon reminded the Board that their current insurance coverage expires on May 31, 2014 and asked whether or not the Board wanted her to solicit proposals for renewal. Discussion ensued and it was the consensus of the Board that in addition to their current provider's proposal, they would like to see multiple proposals.
- G. Update value of District facilities for insurance renewal. The Board authorized the District's Engineer to update the values of the District's facilities for the insurance renewal purposes.

- H. Transformer testing for Water Well Nos. 4 and 5. Director Lackey presented to and reviewed with the Board a proposal from Absolute Testing Services, Inc. ("Absolute") to perform testing of two (2) oil filled transformers at Water Plant No. 2 at a cost of \$2,350.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Absolute proposal, a copy of which is attached hereto as Exhibit "B".

III. **Operator's Report.** The President next recognized Mr. Plunkett who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "C". Mr. Plunkett reviewed the productivity report which indicated that the District's billed vs. produced water accountability was 97.9% for the period from February 14, 2014 to March 14, 2014. Mr. Plunkett noted that during the last month 90.93% of the District's water came from the surface water source with the remainder from the District's groundwater wells. There were no excursions the previous month.

Mr. Plunkett reported that the generators were serviced prior to hurricane season and that all generators are in good condition.

Mr. Plunkett then reviewed with the Board the Termination List, a copy of which is attached to the Operator's Report and affirmed that all Customers on the list were at least sixty (60) days past due and had been notified in writing of their right to attend this meeting to address the Board.

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board (i) approved the Operator's Report as presented; and (ii) authorized termination of service to customers listed on the Termination List, in accordance with provisions of the District's Rate Order.

IV. **Engineer's Report.** Mr. Harris presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "D".

- A. Operations' Committee Meeting. The Operations Committee meeting has been scheduled for April 29, 2014.
- B. Grand Parkway. Mr. Harris reported that the utility relocation plans have been submitted to Harris County for approval. The project will be advertised for bids after it receives the approval from Harris County and TXDoT.
- C. Boudreaux Road Extension. Mr. Harris reported that the construction of utility relocations is complete. Construction of the road is nearly complete and Harris County plans to hold a final inspection in the coming weeks to complete the project. Mr. Harris stated that the existing fire hydrant located on SH 249 and Boudreaux Road is not adjusted to the proper grade and asked the Board to authorize the Operator to adjust it to the proper grade.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized the Operator to adjust the fire hydrant to the proper grade.

- D. Gladewater Drainage. Mr. Harris reported that IDS is evaluating various alternatives to address street ponding along Gladewater. The first option is to adjust pavement elevations at the intersection of Gladewater and Cypress Shores to allow for additional overland flow. The second option is to add inlet capacity at the above-referenced intersection as well as adjust pavement elevations. The final option is to make the adjustments in options one (1) and two (2) as well as up-size several storm sewers. Mr. Harris stated that IDS will make a recommendation at the May meeting.
- E. Water Quality Monitoring for Water Wells Nos. 2, 3, 4, 5, and 6. Mr. Harris reported that the March 2014 laboratory test results for benzene, toluene, ethyl benzene, or xylene (BTEX) in Water Wells Nos. 2, 3, 4, 5, and 6 are non-detect.
- F. Phase 2 Sanitary Sewer Cleaning and Televising. Mr. Harris reported that the Operator is nearly complete with the recommended repairs. The project will be advertised for bids prior to May 1, 2014 Board meeting.
- G. Phase 3 Sanitary Sewer Cleaning and Televising. Mr. Harris reported that plans for televising and cleaning are nearly complete.
- H. Wastewater Treatment Plant Odor Control. Mr. Harris reported that construction plans are being created. The mechanical engineer has nearly completed sizing of the foul air conduits. Over the next month IDS will work on finalizing the plans. Mr. Harris then asked for the Board's authorization to advertise the project for bids.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized IDS to advertise the project for bids.

- I. Sandy Stream Sewer Capacity Evaluation: Upsize required for Dungleve tract. There were no new matters to report.
- J. Wastewater Treatment Plant ("WWTP") Pump Failure. Mr. Harris reminded the Board that as discussed at the previous Board meeting, the existing grit pump and gear drive has failed. Director Lackey and Matt Carpenter held two (2) conference calls with the manufacturer – Smith and Loveless – and it was determined that the equipment is not subject to a manufacturer's recall. To reduce the costs, the manufacturer has agreed to either sell the parts needed to repair the equipment or to sell a new unit to the District directly, without the supplier's markups. Mr. Harris stated that the total repair cost is \$28,565 and a cost to purchase a new unit is \$39,500. The repaired pump would carry a one (1) year warranty only on the replacement parts and labor. The manufacturer will

provide a one (1) year warranty for the new pump. Mr. Harris noted that for an additional cost of \$2,158 the manufacturer would provide an extended four (4) year warranty which is only available with the new pump.

Mr. Harris stated that the Operations Committee recommends the District purchase a new unit with an extended warranty as the factory built new pump will have a lower probability for failure.

Discussion ensued, and upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the purchase of a new grit pump and gear drive at a cost of \$39,500 with an extended warranty at a cost of \$2,158.

- K. Willow Falls, Section 4, WS&D. Mr. Harris reported that the bids for this project have been received today, April 3, 2014, and will be presented at the next Board meeting.
- L. NorthPointe Center – Phase 2 (Santikos). Mr. Harris reported that Sanitkos sold an approximately 0.54 acre tract of land at the corner of Windsor Point and SH 249. The developer of the tract plans to construct a Bahama Bucks, a frozen desert restaurant. Mr. Harris asked for the Board's authorization to issue a utility commitment for such development for approximately 2.5 equivalent single family connections ("ESFCs").

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized IDS to issue a utility commitment letter for Bahama Bucks for approximately 2.5 ESFCs.

- M. 68-Acre New Quest Property. Mr. Harris reported that IDS has received a deposit from Harris County Municipal Utility District No. 273 ("HCMUD 273") for preparation of a feasibility study in connection with HCMUD 273's water capacity request for 592 equivalent single family connections. IDS is nearly complete with the capacity analysis for the request. Once the capacity analysis is complete, IDS will generate a unit cost per connection in the water plant facilities. Mr. Harris stated that a draft of the analysis should be ready for the May 1, 2014 Board meeting.
- N. 136-Acre Finger Tract. There were no additional matters to report.
- O. HMT Property. Mr. Carpenter reported that HMT is evaluating its budget and will inform the District if/when they would like to proceed with annexation.
- P. Ashford Grove Expansion. Mr. Harris reported that Woodmere has 23 acres under contract for expansion of the Ashford Grove subdivision. Approximately 104 lots would be developed on the property. Mr. Harris asked the Board to authorize preparation of an annexation feasibility study for the 23 acre tract.

Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board authorized preparation of an annexation feasibility study for the 23 acre tract upon receipt of the \$7,500 deposit from Woodmere.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report.

V. **Developer's Report.** There was no report.

VI. **Attorney's Report.**

A. **Grand Parkway – SH 99 Right of Entry.** Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Right of Entry Agreement in connection with the Grand Parkway project, a copy of which is attached hereto as **Exhibit "E"**.

B. **Real Estate Matters Update.** There were no matters to report.

C. **Condemnation of Easements by the TxDOT.** There were no additional matters to report.

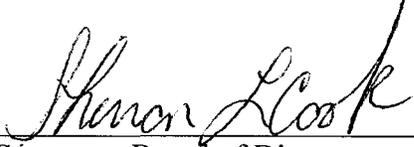
D. **Approval of minutes of the March 20, 2014 Board meeting.** Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board approved the minutes of the March 20, 2014 Board meeting, as amended.

VII. **Adjournment.** The Board adjourned the meeting at 8:31 p.m.

[SIGNATURE PAGE FOLLOWS]

Passed and approved this 17th day of April, 2014.




Secretary, Board of Directors

Exhibits:

- "A" – On-Site proposal
- "B" – Absolute proposal
- "C" – Operator's Report
- "D" – Engineer's Report
- "E" – Right of Entry Agreement