

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

### Minutes of Meeting Thursday, September 18, 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, September 18, 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, thus constituting a quorum. Consultants in attendance were: Matt Carpenter, P.E. of IDS Engineering Group ("IDS" or "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Katherine Turner of Municipal Accounts and Consulting, L.P. ("MAC" or "Bookkeeper"); Robin Goin of Bob Leared Interests Inc. ("Tax Assessor/Collector"); Michael Others of McCall, Gibson, Swedlund, Barfoot PLLC ("Auditor"); Andrew Dunn of On-Site Protection, LLC ("On-Site"); Craig Rathmann of Rathmann & Associates ("Financial Advisor"); Sergeant Romero, Corporal Thomason, and Deputy Buschur of the Harris County Precinct 4 Constable's Office ("HCCO"); Cary Dunham of Dungrove, L.L.C. ("Dungrove"); Aaron Alford of Woodmere Development, L.L.C. ("Woodmere"); Mirna Croon, paralegal, of Johnson Petrov LLP ("JP" or "Attorney"); and Layla Khalil, a resident of the District.

The President called the meeting to order at 6:46 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. **Tax Assessor/Collector's Report.** The President recognized Ms. Goin who presented and reviewed the Tax Assessor/Collector's Report for the month of August 2014, a copy of which is attached hereto as Exhibit "A". Ms. Goin reported that 99.298% of the District's 2013 tax levy had been collected as of August 31, 2014.

Ms. Goin reviewed a request from Jason Vasquez requesting a payment plan in connection with his 2013 delinquent tax account. She stated that Mr. Vasquez stated that he will make a payment of \$775.81 by September 8, 2014 and asked for a six (6) month payment plan for the remaining amount of 341.35. Ms. Goin stated that as of this afternoon, no payment has been received by the Delinquent Tax Attorney or by the Tax Collector's office. It was noted by the Board members that the payment plan proposed by the resident is acceptable but the issue is that no payment has been received as of today. Extensive discussion ensued after which the Board authorized termination of water and sewer service to the resident unless he makes a payment plan arrangement.

Ms. Goin next presented to and reviewed with the Board the Delinquent Tax Report, a copy of which is attached hereto as Exhibit "B". She stated that a water termination letter was sent to delinquent tax accounts listed on the Report notifying them of the September 18, 2014 Board meeting and asking them to make payment commitments or respond by such date. Ms. Goin stated that if approved by the Board, the Tax Collector will send a list of properties to the Operator that should be tagged for water service termination. If the property owner does not respond or if payment is not received, his/her service will be terminated.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board (i) approved the Tax Assessor/Collector's Report; (ii) authorized payment of checks numbered 1014 to 1016 from the Tax Account; and (iii) approved the Delinquent Tax Report and authorized termination of water and sewer service to those 2013 delinquent tax accounts that have failed to pay or make acceptable payment arrangements.

[Director Dunn entered the meeting.]

### III. General Business.

- A. Approve Audit Report for fiscal year ended May 31, 2014. The President next recognized Mr. Others, who presented and reviewed the Annual Audit Report for Fiscal Year Ended May 31, 2014, a copy of which is attached hereto as Exhibit "C".

[Mr. Rathmann entered the meeting.]

Upon motion by Director Dunn, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board (i) approved the Annual Audit Report; and (ii) authorized the District's Consultants to prepare and file the required continuing disclosure materials with the Electronic Municipal Market Access and the Texas Commission on Environmental Quality ("TCEQ").

- B. Authorize Annual District's Post Issuance Tax Exempt Compliance Policies Review. Ms. Croon requested the Board's authorization to prepare and distribute Post Issuance Tax Exempt Compliance checklists to the Consultants for review and completion to ensure continuing compliance with the Internal Revenue Service regulations.

Ms. Croon then presented the Arbitrage Compliance Specialists ("ACS") Report for Unlimited Tax Bonds, Series 2004 and Unlimited Tax Bonds, Series 2005 Bonds. She stated that ACS has determined that the District does not owe any arbitrage rebate to the Internal Revenue Service in connection with the Series 2004 and Series 2005 Bonds.

Upon motion by Director Dunn, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved (i) the ACS Reports, copies of which are attached hereto as Exhibit "D" and "D-1"; and (ii)



authorized JP to prepare and send Post Issuance Tax Exempt Compliance Checklists to the Consultants for review and completion.

- C. Wastewater Treatment Plant spill. Mr. Plunkett reported that on Wednesday, September 10, 2014, while Trinity Wastewater Solution ("Trinity"), the District's sludge hauler contractor, was removing equipment from the site, the trailer struck a fitting located just above grade next to the driveway. The fitting was a cleanout for the sludge wasting line on the South plant and this incident allowed solids from the plant to be discharged onto the ground and eventually into the receiving stream. The leak was isolated and Trinity coordinated with Source Point to clean up the spill. The spill was completely cleaned by the end of the day on September 11, 2014. The necessary report was filed with the TCEQ and no further action is needed.
- D. Emergency Operations and Repairs to District Facilities. Mr. Plunkett reported on issues at Water Plant No. 1 stating that each of the two (2) bleach holding tanks developed a leak and the contractor that installed the tanks transferred the remaining bleach from the tanks to a small holding tank. The remainder was transferred to the other facilities. The tanks are covered under warranty and new tanks will be installed upon arrival.

Mr. Plunkett next reported that the TCEQ performed a comprehensive inspection of the water plant facilities and water distribution system on September 17, 2014. He stated that no items of concern were noted by the TCEQ and the records requested during the inspection have been sent to the TCEQ.

- E. Changes and Additions to District Website. There were no matters to report.
- F. Monthly Recycling Report. The Board next reviewed the Recycling Report for August 2014 prepared by Residential Recycling of Texas, a copy of which is attached hereto as Exhibit "E".
- G. Annual review of Investment Policy. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board adopted the Order Reviewing Investment Policy and Investment Strategies, a copy of which is attached hereto as Exhibit "F".

IV. **Tax Assessor/Collector's Report (continued).** The President recognized Ms. Khalil who addressed the Board regarding her 2013 delinquent tax account. Ms. Khalil described her financial situation and requested assistance with her outstanding tax balance. Discussion ensued after which payments totaling \$525.00 were made toward Ms. Khalil's outstanding tax balance.

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved a \$25 per month payment plan for ten (10) months for Ms. Khalil.

[Ms. Khalil departed the meeting.]

V. **Financial Advisor Report.**

- A. **Maximum Tax Calculation for 2014.** The President recognized Mr. Rathmann who presented to and reviewed with the Board the Tax Recommendation for 2014, a copy of which is attached hereto as Exhibit "G". Mr. Rathmann reported that based on the assessed valuation of the District, the Board should consider a total tax rate of \$0.87 per \$100 of assessed value. The District had levied the total tax rate of \$0.995 per \$100 of assessed valuation in 2013.

Mr. Rathmann noted that a debt tax rate of \$0.72 per \$100 of assessed value should be sufficient to meet the District's debt service, and a maintenance and operating tax rate of \$0.15 per \$100 of assessed value is recommended to be levied for maintenance expenditures. Mr. Rathmann stated that he feels confident that the District has healthy fund balances with approximately one (1) year of operating reserves. Mr. Rathmann noted that the District will be levying a tax against approximately \$511 million of taxable value, which is an increase from \$445 million value assessed last year. He further stated that the average home taxable values have increased by about 9.7%, from approximately \$109,906 in 2013 to approximately \$121,493 in 2014.

Next, upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the Tax Assessor/Collector to (i) publish notice of a proposed total tax rate of \$0.87 per \$100 of assessed value, comprised of \$0.72 per \$100 for debt service and \$0.15 per \$100 for maintenance and operations; and (ii) publish notice of a public hearing on such proposed rate for October 16, 2014 at 6:30 p.m.

- B. **Dungrove request for release of escrowed funds.** Mr. Rathmann reported that based on the preliminary tax values, it appears that Dungrove's self-supporting value would cover approximately \$600,000 in reimbursement amount. Mr. Rathmann stated that prior to making his final recommendation to the Board, he will need to confirm that the District's attorney agrees with such recommendation. No action was taken on this matter.

[Mr. Rathmann departed the meeting.]

VI. **Security Report.** Sergeant Romero reviewed the Constable's security report for August 2014. Mr. Dunn next reported on crime statistics in the area and presented the On-Site security report, a copy of which is attached hereto as Exhibit "H".

VII. **Tax Assessor/Collector's Report (continued).** Ms. Goin requested the Board's authorization to waive all penalties and interest on Ms. Khalil's account.

Upon motion by Director Daniel, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board authorized the Tax Collector to waive all



penalties and interest on Ms. Khalil's 2013 delinquent tax account, subject to the Attorney's approval of same.

VIII. **Bookkeeper's Report.** The President recognized Ms. Turner who reviewed the Bookkeeping Report, a copy of which is attached hereto as Exhibit "I". Next, upon motion by Director Cook, seconded by Director Dunn, after full discussion, and with all Directors present voting aye, the Board voted to (i) approve the Bookkeeping Report; (ii) authorize payment of Check Nos. 12560 through 12652 from the Operating Fund; and (iii) authorize payment of Check No. 1663 from the Capital Project Fund.

IX. **Engineer's Report.** Mr. Carpenter presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "J". Mr. Carpenter reported that the water, sewer and drainage construction of Willow Falls, Section 4 is complete. IDS recommends the Board approve that payment be made by the Developer for Pay Applications Nos. 1 through 3, copies of which are attached to the Engineer's Report.

Mr. Carpenter next reported that the design of the entrance to the project on Boudreaux Road included 2-24" RCP culverts. The Contractor requested an inspection with Harris County after which the Precinct requested that the entrance only have 1-30" culvert. Mr. Carpenter stated that IDS recommends the Board approve Change Order No. 1 in the amount of (\$1,663.10) for the substitution of the 30" culvert.

Upon motion by Director Cook, seconded by Director Daniel, after full discussion and with all Directors present voting aye, the Board (i) authorized that payment be made by the Developer for Pay Applications Nos. 1 through 3 in connection with Willow Falls, Section 4; and (ii) approved Change Order No. 1 in the amount of (\$1,663.10) in connection with the design of the entrance to the project on Boudreaux Road.

X. **Attorney's Report.**

- A. Agreement with Harris County Municipal Utility District No. 273. There are no matters to report.
- B. Real Estate matters update. There are no matters to report.
- C. Approval of minutes of the September 4, 2014 Board meeting. Upon motion by Director Cook, seconded by Director Daniel, after full discussion and with all Directors present voting aye, the Board approved the minutes of the September 4, 2014 Board meeting as amended.

XI. **Developer's Report.** The President recognized Mr. Alford who updated the Board on the Woodmere development in the District stating that Ashford Grove, Sections 4 and 5, which are in the process of being annexed in to the District, should begin with home sales in the middle of 2015.

XII. **Adjournment.** With no additional matters before the Board, the Board adjourned the

Passed and approved this 2nd day of October, 2014.

  
Secretary, Board of Directors

**Exhibits:**

- "A" Tax Assessor/Collector's Report
- "B" Delinquent Tax Report
- "C" Audit
- "D" Series 2004 Bonds ACS Report
- "D-1" Series 2005 Bonds ACS Report
- "E" Monthly Recycling Report
- "F" Order Reviewing Investment Policy
- "G" Financial Advisor Report
- "H" Security Report
- "I" Bookkeeper's Report
- "J" Engineer's Report