

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, November 6, 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, November 6, 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. ("Eagle" or "Operator"); and Andrew P. Johnson, III, attorney, Cody Johnson, law clerk, and Mirna Croon, paralegal, of Johnson Petrov LLP ("Attorney").

The President called the meeting to order at 6:55 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.** There were no matters to report.
 - B. **Pay Bills and Pay Estimates.** Director Lackey stated that check no. 12277 to BL Technology, Inc. ("BLTI") needs to be voided as it was issued six (6) months ago. Director Lackey stated that he needs to verify that the cyber-security improvements at the Water Plant Nos. 2 and 3 are functional prior to releasing a final payment to BLTI. Next, upon motion by Director Cook, seconded by Director Dunn, after full discussion and with Director Daniel abstaining, the Board (i) voided check no. 12277 to BLTI; and (ii) approved check no. 12755 to BLTI, subject to Director Lackey's verification that the project has been completed as specified.
 - C. **Security and SCADA projects at Water Plant Nos. 1 and 2 and Lift Station No. 1.** This matter was tabled until later in the meeting.
- 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 "A"**. Mr. Plunkett reviewed the productivity report which indicated that the District's

billed vs. produced water accountability was 94.72% for the period from September 13, 2014 through October 14, 2014. Mr. Plunkett noted that during the last month 94.72% of the District's water came from the surface water source with the remainder from the District's groundwater wells. Mr. Plunkett reported that the Texas Commission on Environmental Quality inspected the District's facilities and noted a high level of chlorine. Mr. Plunkett stated that excursions will be listed on the next month's Discharge Monitoring Report for chlorine violations.

Mr. Plunkett next directed the Board's attention to the Collection Agency Report, a copy of which is attached to the Operator's Report.

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 Dunn, after full discussion and with all Directors present voting aye, the Board (i) approved the Operator's Report as presented; (ii) authorized the Collections Report; and (iii) authorized termination of service to customers listed on the Termination List, in accordance with provisions of the District's Rate Order.

IV. **January 2015 meeting date.** The Board decided to hold its first January 2015 meeting on January 6, 2015 at 6:30 p.m. due to the New Year's Day holiday.

V. **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 "B".

- A. Operations Committee Meeting. The Operations Committee meeting has been scheduled for November 18, 2014.
- B. Grand Parkway waterline and sanitary sewer force main relocation. Mr. Carpenter reported that the construction is nearly complete. The Contractor inadvertently damaged a bridge beam on SH 99. IDS has informed the Contractor that the final pay application will not be processed until IDS receives a notification that the damage has been repaired and that there are no outstanding claims against the Contractor.
- C. Boudreaux Road Extension. Mr. Carpenter reported that the utilities relocation is complete. IDS received a request to issue Records Drawings for the project to Harris County. Once the County receives Records Drawings, the Contract will be closed.
- D. Gladewater Drainage. Mr. Carpenter reported that IDS is planning to inspect the storm sewers in the next phase of televising and cleaning of the sanitary sewer system. IDS will finalize its recommendations once the lines have been televised.

- E. Proposed annexations. Mr. Carpenter stated that IDS has completed the District's boundary map in regards to the two (2) proposed annexations – Ashford Grove East and HMT.
- F. Water Quality Monitoring for Water Wells Nos. 2, 3, 4, 5, and 6. Mr. Carpenter reported that the October 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.
- G. Phase 2 Sanitary Sewer Cleaning and Televising. Mr. Carpenter reported that the Operator is nearly complete with the recommended repairs.
- H. Phase 3 Sanitary Sewer Cleaning and Televising. Mr. Carpenter reported that plans for televising and cleaning are complete.
- I. Wastewater Treatment Plant ("WWTP") Odor Control. Mr. Carpenter reported that the plans and specifications are complete. IDS is planning to advertise the project for bids the following week and present the bids to the Board at the December 4, 2014 Board meeting.
- J. Sandy Stream Sewer Capacity Evaluation: Upsize required for Dungrove tract. There were no new matters to report.
- K. Willow Falls, Section 4, WS&D. Mr. Carpenter reported that the sanitary sewer and storm sewer construction is complete. Paving construction is in progress.
- L. NorthPointe Center – Phase 2 (Santikos). There were no new matters to report.
- M. 68-Acre New Quest Property. Mr. Carpenter reported that the Attorney and the Engineer are working on preparing a Service Agreement between the District and Harris County MUD No. 273.
- N. 136-Acre Finger Tract. There were no additional matters to report. .

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

VI. **Developer's Report.** There were no additional matters to report.

VII. **Attorney's Report.**

- A. Proposed Water Supply Agreement with HCMUD No. 273; There were no matters to report.
- B. Real Estate Matters Update. There were no matters to report.
- C. Approval of minutes of the October 16, 2014 Board meeting. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all

Directors present voting aye, the Board approved the minutes of the October 16, 2014 Board meeting, as amended.

VIII. **Security and SCADA projects at Water Plant Nos. 1 and 2 and Lift Station No. 1 (the "Project")**. Director Lackey stated that he was asked by the Board at previous Board meetings to verify that the cyber-security improvements at the Water Plant Nos. 1 and 2 are functional prior to releasing a final payment to BLTI; however, he was unable to do so due to his work obligations. Director Lackey added that the District will have other cyber-security projects and will need someone to verify completion of such projects. Discussion ensued whether the District needs to engage a project coordinator for the Security and SCADA projects.

Next, Mr. Johnson stated that Director Dunn has previously disclosed a conflict of interest pertaining to the District's Contract for Security Coordinator with Andrew Dunn and On-Site Protection LLC and Director Daniel has previously disclosed a conflict of interest relative to the District's Security System Contract with BLTI. Mr. Johnson stated that Directors Dunn and Daniel should not participate in any discussion relative to those matters to the extent to which the discussion or vote relates to the engagement, compensation or performance of any conflicted party. Discussion of the security system in general or scope of services for expansion, modification or replacement of the existing security system is permitted by both of the Directors with conflicts.

Director Lackey then reported on the security projects and repairs and/or upgrades which need to be made to the District's facilities to improve the Security and SCADA system. Director Lackey stated that in his opinion, the most recent proposal submitted by BLTI for repair of the camera system at Remote Well No. 3 should not be approved as the District should not spend money to repair the aging system. Additionally, it took BLTI at least two (2) weeks to respond to the District's request to prepare a proposal although the District has been having SCADA transmittal issues with Remote Well No. 3 for a long period of time.

Director Daniel stated that the Board should first decide which security transmittal system to use and suggested the Board engage a project coordinator to analyze the current system and make his recommendations based on the District's needs. Extensive discussion ensued regarding the differences between a project consultant and a vendor and whether the Board could hire a project coordinator who is also a vendor. Mr. Johnson stated that pursuant to the Professional Procurement Act, the Board would request proposals for a security consultant or system, select the most qualified vendor, and then negotiate a contract with that vendor. Mr. Johnson also noted that under the bidding statute the District is not required to bid a security project to not compromise the safety of the security system. Further discussion ensued after which the Board agreed to continue discussion in an Executive Session.

IX. **Executive Session**. Next, at 8:41 p.m., upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the President called an Executive Session, pursuant to Section 551.071 and Section 551.076 of the Open Meetings Act, to discuss attorney - client privilege and security matters of the District. Only Director Lackey, Director Bishop, Director Cook, Mr. Carpenter, Mr. Johnson, Mr. Cody Johnson, and Ms. Croon were present during the executive session.

X. **Regular Session.** At 9:34 p.m. upon motion by Director Bishop, seconded by Director Cook, the Board reconvened the meeting in Regular Session. Director Lackey stated that the Board should first close out the existing BLTI project(s) and recommended the Board authorize IDS to meet with BLTI to review the security system and verify that the cyber-security improvements at Water Plants Nos. 1 and 2 are functional.

Upon motion by Director Bishop, seconded by Director Dunn, after full discussion and with Director Daniel abstaining, the Board authorized IDS to meet with BLTI to review the security system and verify the cyber-security improvements at the Water Plant Nos. 1 and 2 are functional.

Director Lackey next stated that the Board would like to request a proposal for a security project coordinator from Mr. Dunn. The Coordinator would need to hold a workshop for the Board regarding available security technology, analyze the District's security needs and develop a scope of work.

Next, upon motion by Director Cook, seconded by Director Bishop, after full discussion and with Director Dunn abstaining, the Board authorized the request for a security project coordinator proposal.

XI. **Adjournment.** With no additional matters before the Board, the Board adjourned the meeting at 9:46 p.m.

Passed and approved this 20th day of November, 2014.


Secretary, Board of Directors

Exhibits:

- "A" – Operator's Report
- "B" – Engineer's Report