

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, September 15, 2016

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 15, 2016, 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: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Matthew Carpenter, P.E. and Kameron Pugh, E.I.T. of IDS Engineering Group ("IDS" or "Engineer"); Kaye Townley and Katherine Turner of Municipal Accounts and Consulting, L.P. ("MAC" or "Bookkeeper"); Bob Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Josh Rambo, CPA, of McCall Gibson Swedlund Barfoot PLLC ("Auditor"); Craig Rathmann of Rathmann and Associates L.P ("Financial Advisor"); Corporal Thomason, Sergeant Walton, and Constable Carrillo of the Harris County Precinct 4 Constable's Office ("HCCO"); Matthew Dunn of On-Site Protection, LLC (the "Security Coordinator"); Tyler Scully, attorney, and Mirna Croon, paralegal, of Johnson Petrov LLP ("JP" or "Attorney"); and Shannon Waugh of Off Cinco Website; and Elizabeth Lyons of Northpointe East Homeowners Association ("HOA").

The President called the meeting to order at 6:41 p.m. and in accordance with the notice posted pursuant to law, the following business was transacted:

I. **Public Comment.** The President recognized Ms. Lyons who introduced herself and stated that the HOA is interested in a possible partnership with the District on developing a walking/jogging trail at the Northpointe East detention pond. Director Lackey stated that the Board has received requests of this nature in the past and has consistently declined to be in the recreation facility business, but sticks to the basic services that districts deliver, normally, water, sewer, drainage and waste disposal. Director Lackey further explained that the District consists of nine (9) subdivisions and if the Board assists with the development of a walking/jogging trail in one (1) subdivision, it will have to do the same for all subdivisions, which is not possible at this time. Director Lackey further stated that to fund park projects for the entire District, the District would need to have a park bond election, as the District is not authorized to issue such bonds at this time. Director Lackey pointed out that the Board would be interested in developing parks and/or walking trails; however, the District is currently in the process of addressing flooding issues in Northern Point and completing other projects related to water, sewer, and drainage, which is the main purpose of the District. Mr. Carpenter stated that he would be able

to provide a cost estimate to the HOA in case the HOA is willing to provide 100 percent financing for the trail. Director Lackey discussed the maintenance obligations noting that the trail at the detention pond would need to be constructed in a way which would not compromise the detention facilities. Director Dunn stated that the Board is further concerned about the possibility that the District would have to assume the maintenance responsibility for the trail if something happens in the future and the HOA is unable to or declines to maintain the trail any longer. Director Lackey then explained the structure and the main purpose of a municipal utility district. The Board concluded the discussion by saying that it would not be able to assist the HOA on developing a trail at the detention pond at this time.

Ms. Lyons thanked the Board for its time and departed the meeting.

II. **Security Report.** Sergeant Walton first introduced Corporal Carrillo. He then presented to and reviewed with the Board the Security Report, a copy of which is attached hereto as Exhibit "A".

Mr. Dunn reviewed the internet performance report for District facilities, a copy of which is attached hereto as Exhibit "A-1".

III. **General Business.**

A. **Emergency Operations and repairs to District Facilities.** Mr. Plunkett reported on the odor control equipment installation at the Wastewater Treatment Plant noting that Eagle is working with Electrical Field Services to complete the work for the project. There were no emergency repairs in the District.

[Ms. Turner entered the meeting.]

B. **District's Website and/or Emergency Notification Service proposal.** The President recognized Ms. Waugh who presented to and reviewed with the Board a proposal for website administrative services, including the implementation of an emergency notification system, a copy of which is attached hereto as Exhibit "B". Ms. Waugh presented options for website redesign and monthly maintenance, and responded to questions from the Board. Following discussion, the Board agreed to table its decision until later in the meeting.

Ms. Waugh thanked the Board for its time and departed the meeting.

C. **Emergency Notification Messaging ("ENM") Service.** The Board attempted to activate the ENM service per the instructions provided by DonDulin.com, LP last month; however, the service was still not functioning. Discussion ensued after which the Board authorized JP to provide a termination notice to DonDulin.com, LP, for the ENS Service.

D. **Residential Recycling and Refuse of Texas ("RRRT") Monthly Recycling Report.** The Board reviewed the recycling report, a copy of which is attached hereto as Exhibit "C".

- E. Annual Review of Investment Policy/Strategies. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the Order Reviewing Investment Policy/Strategies, a copy of which is attached hereto as Exhibit "D".
- F. Approve Audit for Fiscal Year Ended May 31, 2016 ("Audit"). The President recognized Mr. Rambo who presented to and reviewed with the Board the Audit Report, a copy of which is attached hereto as Exhibit "E". Mr. Carpenter asked that a correction be made on Page 30 as the Developer (HMT) was not reimbursed by the District but the District's operating fund had been reimbursed for the construction costs of the development. Mr. Rambo stated that the correction will be made regarding same. Next, Mr. Rambo noted that the District is in an excellent financial condition and a clean audit opinion will be issued.

Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board (i) approved the Audit; 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").

- G. Water Wise Interlocal Agreement for 2016/2017 ("Interlocal Agreement"). The Board reviewed the Interlocal Agreement, a copy of which is attached hereto as Exhibit "F". Director Dunn noted that as in previous years, the sponsorship budget allocated for Kohrville Elementary School and Blackshear Elementary School is \$8,000 per year with all students at Kohrville Elementary School being sponsored and the remainder of funds being allocated to Blackshear Elementary School students. Ms. Croon stated that she will remind the Harris-Galveston Subsidence District of the District's budget.

Next, upon motion by Director Dunn, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the Interlocal Agreement with the sponsorship budget of \$8,000 per year.

IV. **Financial Advisor's Report - Maximum Tax Calculation for 2016**. The President recognized Mr. Rathmann who presented to and reviewed with the Board the Tax Recommendation for 2016, a copy of which is attached hereto as Exhibit "G". Mr. Rathmann noted that the District will be levying a tax against approximately \$644 million of taxable value, which is an increase from \$587 million value assessed last year. He further stated that average home taxable values have increased from approximately \$137,430 in 2015 to approximately \$151,248 in 2016. The District had levied the total tax rate of \$0.79 per \$100 of assessed valuation in 2015. Mr. Rathmann stated that due to the District's healthy balances with approximately one (1) year of operating reserves, the Board could afford to lower the tax rate for 2016 and support the bond issue to be funded in 2017. Discussion ensued with Mr. Rathmann responding to questions from the Board. Next, upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board authorized the Tax Collector to (i) publish notice of a proposed total tax rate of \$0.72 per \$100 of assessed value, comprised of \$0.58 per \$100 for debt service and \$0.14 per \$100 for maintenance

and operations; and (ii) publish notice of a public hearing on such proposed rate for October 20, 2016 at 6:30 p.m.

V. **Tax Assessor/Collector's Report.** Mr. Leared reviewed the Tax Assessor/Collector's Report for the month of August 2016, a copy of which is attached hereto as Exhibit "G". He reported that 99.584% of the District's 2015 tax levy had been collected as of August 31, 2016.

Mr. Leared reviewed the Delinquent Tax Report, a copy of which is attached to the Tax Assessor/Collector's Report.

Upon motion by Director Dunn, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board (i) approved the Tax Assessor/Collector's Report; and (ii) authorized payment of checks numbered 1199 and 1200 from the Tax Account.

VI. **Bookkeeper's Report.** Ms. Townley reviewed the Bookkeeping Report, a copy of which is attached hereto as Exhibit "I".

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion, and with all Directors present voting aye, the Board voted to (i) approve the Bookkeeper's Report (ii) authorize payment of Check Nos. 14387, 14541, 14527, 14528, 14530, 14586, and 14613 through 14709 from the Operating Fund; and (iii) authorize payment of Check No. 1684 from the Capital Projects Fund.

VII. **Engineer's Report.** Mr. Carpenter reported that Camino Services began storm sewer cleaning and televising of the Northern Point subdivision. He noted that residents will be notified via a door hanger if the Contractor needs to go into their yard to access the sewer lines for cleaning/televising.

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

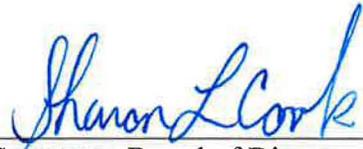
IX. **Attorney's Report:**

A. Minutes of September 1, 2016 Board meeting. Upon motion by Director Dunn, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the minutes of the September 1, 2016 Board meeting, as amended.

X. **District's Website and/or Emergency Notification Service proposal (continued).** The Board continued its discussion regarding the proposal submitted by Off Cinco, and Ms. Waugh responded to questions from the Board via telephone conference. Next, upon motion by Director Daniel, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board (i) authorized JP to prepare and send a termination notice to DunDulin.com, LP, related to the Website Agreement; and (ii) approved the proposal submitted by Off Cinco for the following options: (1) standard layout site redesign at a cost of \$1,600; and (2) a monthly maintenance/hosting and five (5) email accounts at a cost of \$300 per month.

XI. **Adjournment.** With no additional matters before the Board, the Board adjourned the meeting at 8:25 p.m.

Passed and approved this 6th day of October, 2016.



Secretary, Board of Directors

Exhibits:

- "A" Security Report
- "A-1" Internet Performance report
- "B" Off Cinco proposal
- "C" Recycling Report
- "D" Order Reviewing Investment Strategies
- "E" Audit Report
- "F" Interlocal Agreement
- "G" 2016 Tax Recommendation
- "H" Tax Assessor/Collector's Report
- "I" Bookkeeper's Report