

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, June 1, 2017

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, June 1, 2017, 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: Matthew Carpenter, P.E. and Kameron Pugh, E.I.T., of IDS Engineering Group ("IDS" or "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Eagle" or "Operator"); Kaye Townley of Municipal Accounts and Consulting, L.P. ("MAC" or "Bookkeeper"); Andrew Dunn of On-Site Protection, LLC (the "Security Coordinator"); Ryan Fortner of Sales Revenue Inc. ("SRI") and Tyler Scully, attorney, and Mirna Croon, paralegal, of Johnson Petrov LLP ("Attorney").

The President called the meeting to order at 6:35 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 discuss.
 - B. **Pay Bills and Pay Estimates.** No action was taken.
 - C. **SRI proposal.** The President recognized Mr. Fortner who presented to and reviewed with the Board a proposal related to the monitoring and collection of sales taxes in connection with the Strategic Partnership Agreement ("SPA") between the District and the City of Houston, a copy of which is attached hereto as Exhibit "H".

[Ms. Croon entered the meeting.]

Mr. Fortner stated that SRI works directly with the City and State Comptroller in recovering revenues and correcting errors for Districts that have agreements with the City of Houston, and share in the local Sales and Use Tax Collected. Mr. Fortner reviewed the Basic Service option offered by SRI at an annual cost of

\$5,000 and the All Inclusive Service option at an annual cost of \$7,000. Mr. Fortner explained that in addition to the services offered under the Basic Service option, all inclusive services would include quarterly physical canvass of business within the District's SPA boundary; review and update of District's Business List as well as subsequent business lists; four-year review of payments received by the District, and if any errors are discovered, correction of such errors with the Texas Comptroller's Office; monthly receipt of confidential reports, payment history input, semi-annual review and reporting of issues to the City/State; monthly monitoring of receipt of erroneous revenues; creation of detailed reports listing all businesses located within the District; and correspondence with representatives of the City of Houston Planning and Development Department and Texas Comptroller of Public Accounts regarding any errors discovered.

Discussion ensued regarding the proposal, and upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the SRI proposal with the All Inclusive Services option at an annual cost of \$7,000, subject to legal review/approval of SRI contract.

- D. Amend Rate Order. The Board reviewed a spreadsheet detailing security fee revenue collected from commercial properties in the District during the previous 12 months, a copy of which is attached hereto as Exhibit "B". It was noted that the security costs have dramatically increased over the last few years while the security fees have remained the same. Extensive discussion ensued about amending the Rate Order to account for the increase in the District's security costs.

Next, upon motion by Director Daniel, seconded by Director Cook, after full discussion and with all Director present voting aye, the Board (i) increased the sewer service rates for residential properties by \$4.00 per connection to offset the security costs increase; and (ii) increased the security service fee for commercial properties.

- E. Arbitrage Compliance Specialists ("ACS") Report for Unlimited Tax Refunding Bonds, Series 2012 and Arbitrage Rebate and Yield Restriction Compliance Service Program Report (collectively "Reports"). The Board reviewed the Report, copies of which are attached hereto as Exhibit "C" and "C-1". It was noted that no payment is due to the Internal Revenue Service.

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

- F. June 15 meeting location. Ms. Croon reminded the Board that the Board will be unable to hold its meeting at the Church on June 15, 2017 as the Church's facility

is booked for Church-related activities. The June 15, 2017 will be held at the On-Site Protection Office, which is an approved meeting place for the District.

III. **Operator's Report.** The President recognized Mr. Plunkett who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "D". Mr. Plunkett noted that the District had 94.3% accountability for the period from April 12, 2017 to May 12, 2017. Mr. Plunkett also noted that during the last month 95.87% of the District's water came from the surface water source with the remainder from the District's groundwater wells. Mr. Plunkett reported that Water Well No. 4 is out of service due to failed electronics and EFS is called for repairs. Mr. Plunkett also reported on communication issues between Lift Station No. 6 and Water Plant Nos. 1 and 2.

Mr. Plunkett next informed the Board that 800 smart meters have been installed in the District thus far; however, only 27 customers have registered for online access. Mr. Plunkett stated that residents have been informed about the smart meters via door hangers and the website notice. Mr. Plunkett noted that Eagle is planning to mail the smart meter notice to all residents at a future date.

Mr. Dunn the discussed the communication issues between Lift Station No. 6 and Water Plant Nos. 1 and 2 and recommended that On-Site solicit a data access proposal from AT&T or Sprint as Verizon has placed limits on its government cellular program.

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.

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

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

- A. **Northern Point Drainage.** Mr. Pugh reported that IDS is finalizing the model for the Pinecrest Forest – Three Lakes East basins. Once the model is complete, IDS will determine the necessary pump modifications at the Northern Point Stormwater Pump Station. IDS is working with Harris County on plan approval for the extreme event swales.
- B. **Operations Committee Meeting.** The Operations Committee meeting was scheduled for June 29, 2017.
- C. **Grand Parkway.** Mr. Carpenter reported that a site visit was held with Brian Bullet of ZOPB to discuss the District's concerns regarding erosion control as a result of the Grand Parkway construction. It was noted that erosion control

measures were prudent; however, because this area would not be exposed to regular overland flow, ZOPB will not be installing any additional erosion control measures. Mr. Carpenter also reported that IDS was informed by the Texas Department of Transportation ("TxDoT") that the District is alleviated of any channel maintenance within the TxDoT right-of-way and is not responsible for that portion of the channel. Mr. Carpenter recommended JP prepare and send correspondence to TxDoT asking that TXDoT confirm in writing that TxDoT and not the District is responsible for the channel maintenance within the TxDoT right-of-way.

Director Lackey pointed out additional issues at the channel that need to be addressed, such as backslope interceptor problems, which need to be addressed by ZOPB and/or TxDoT.

- D. Bond Issue No. 13. Mr. Carpenter stated that IDS is reviewing the draft staff memorandum.
- E. Water Quality Monitoring for Water Wells Nos. 2, 3, 4, 5, and 6. Mr. Pugh reported that the April 2017 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. Water Plant ("WP") No. 2. Mr. Pugh reported that the piping modifications and redline diagrams are complete.
- G. WP Nos. 1 and 2. Mr. Pugh reported that the redline drawings of the WP No. 2 control diagrams to allow surface water to be transferred from WP No. 2 to WP No. 1 are complete.
- H. Water Plant rehabilitation. Mr. Pugh stated that the preliminary plans and technical specifications for the Ground Storage Tank Rehabilitation are being prepared. IDS will begin advertising near the end of summer in order to begin rehabilitation work in the fall.
- I. Phase 3 Sanitary Sewer Rehab. The point repairs are complete.
- J. WWTP Odor Control. Mr. Pugh reported that the odor control panel is operational. The electrical drawings for installation of flow meters and electrical equipment are complete. EFS has prepared a proposal for the additional electrical equipment in the amount of \$4,937.82. IDS recommends approval of the proposal.
- K. Sandy Stream Sewer Capacity Evaluation: Upsize required for Dungrove tract. There were no new matters to report.
- L. Lift Station ("LS") Panel replacements. Mr. Pugh reported that IDS is awaiting information from the electrical engineer to complete design.

- M. Emergency Generators for LS Nos. 1, 2 and 6. Mr. Pugh reported the generators have been installed and CenterPoint Gas has extended natural gas lines to the sites. Once gas meters are installed, Cummins or the Manufacturer will perform load tests for each generator.
- N. LS No. 2 – Sanitary Sewer force main. Mr. Pugh stated that a final walkthrough was held on Tuesday, January 31, 2017. No deficiencies were noted. IDS will issue a letter of substantial completion once the contractor has provided record drawings.
- O. NorthPointe Center – Phase 2 (Santikos). There were no new matters to report.
- P. Adriatic Café (Ekrem & Alban, LLC). There were no new matters to report.
- Q. 136-Acre Finger Tract. The landowners are working with the State to agree upon land value for the condemnation.
- R. Ashford Grove East, Section 2, WS&D Facilities. The construction is complete.
- S. Ashford Grove East, Sanitary Sewer Lift Station. Mr. Pugh reported that the construction is complete; however, operation and maintenance manuals are not yet approved.

Next, upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board (i) approved a proposal from EFS in the amount of \$4,937.82 to furnish and program the electrical equipment required for operation of the WWTP odor control system; and (ii) approved the Engineer's Report.

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

VI. **Attorney's Report.**

- A. Approval of minutes of the May 18, 2017 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 May 18, 2017 meeting as amended.

VII. **Adjournment.** With no additional matters before the Board, the Board adjourned the meeting at 8:45 p.m.

Passed and approved this 15th day of June, 2017.


Secretary, Board of Directors

Exhibits:

- "A" – SRI proposal
- "B" – Security fee spreadsheet
- "C" – ACS Report for Unlimited Tax Refunding Bonds, Series 2012
- "C-1" – Arbitrage Rebate and Yield Restriction Compliance Service Program Report
- "D" – Operator's Report
- "E" – Engineer's Report

