

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting September 5, 2019

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 September 5, 2019, at the District meeting place located inside the District, whereupon the roll was called of the members of the Board, to-wit:

Roy P. Lackey
Tiffani C. Bishop
Sharon L. Cook
Eric Daniel
Allison V. Dunn

President
Vice President/Investment Officer
Secretary
Treasurer
Assistant Secretary

All members of the Board were present, thus constituting a quorum. Consultants in attendance were: Mike Plunkett of Eagle Water Management, Inc. ("Eagle" or "Operator"); Matthew Carpenter, P.E., of IDS Engineering Group ("IDS" or "Engineer"); Josh Rambo, CPA, of McCall Gibson Swedlund Barfoot PLLC ("Auditor"); Kaye Townley of Municipal Accounts & Consulting, L.P. ("MAC" or "Bookkeeper"); Laura McKenery and Andrew P. Johnson, III, attorneys, and Mirna Croon, paralegal, of Johnson Petrov LLP ("JP" or "Attorney"); Matthew May of Best Trash; and Ben Vigil and Christian Goedde of Riverside Development ("Riverside").

The President called the meeting to order at 6:32 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. **Annexation of Riverside Commercial tract.** The President recognized Mr. Goedde who reported on the development of a 9.6 acre tract south of Stonepine subdivision on Boudreaux Rd. He stated that the development will consist of ten (10) office warehouses, one (1) retail unit, and a wet detention pond. The cost of the development should be around \$9.6 million and it will need 20 single family connections. If the plans are approved by Harris County, the construction should start in October, 2019.

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 Annexation Agreement, a copy of which is attached hereto as Exhibit "A", (ii) approved the Reimbursement Agreement, a copy of which is attached hereto as Exhibit "A-1"; (iii) approved the Petition for Annexation of Land into District and Petition for Consent to Annex Land into District for the 9.530 acre tract owned by Boudreaux 11715 Properties, LLC, copies of which are attached hereto as Exhibit "A-2" and "A-3"; and (iv) approved the Utility Commitment Letter, a copy of which is attached hereto as Exhibit "A-4"; and (v) authorized JP to submit such annexation documents to the City of Houston for approval.

III. General Business.

- A. District's Website. There were no matters to report.
- B. Pay Bills and Estimates. There was no action.
- C. Amendment to Operator's Contract. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the rate increase request, a copy of which is attached hereto as Exhibit "B".
- D. Audit Report for Fiscal Year Ending May 31, 2019 ("Audit Report"). 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 "C". Mr. Rambo noted that the District is in an excellent financial condition and a clean audit opinion will be issued.

Upon motion by Director Dunn, seconded by Director Daniel, 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.

- E. Amend Rate Order. The Board reviewed a Form of Conditions of Service to Multifamily Residential Development containing a checklist for Class A multifamily developments to be added to the Rate Order along with the updated Drought Contingency Plan. Upon motion by Director Dunn, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board amended the Rate Order to include the Form of Conditions of Service to Multifamily Residential Development and Drought Contingency Plan, a copy of which is attached hereto as Exhibit "D".
- F. Amend Drought Contingency Plan (the "Plan"). Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Amended Drought Contingency Plan, a copy of which is attached hereto as Exhibit "E".
- G. Rate Increase Request from Best Trash. The President recognized Mr. May who reviewed a letter regarding an additional rate increase request, a copy of which is attached hereto as Exhibit "F". He stated that the annual CPI increase is \$0.65 which results in an increased rate for garbage collection from \$12.94 to \$13.59 per month per connection. In addition to the CPI increase, BT is proposing a new rate of \$14.10, effective the billing cycle of October 2019 through September 2020. Mr. May stated that Best Trash would be able offer a three-year renewal of the current trash collection contract at a rate of \$13.95 per connection or a five-year renewal of the trash collection contract at a rate of \$13.80 per connection. Mr. May stated that BT is faced with higher than normal costs caused by an increase in landfill fees, insurance expenses and competitive labor market.

Director Bishop stated that the District would like to have its trash and recycling services handled by the same provider. Both, the trash and recycling contracts will end in October 2019 and the District is planning to solicit proposals at such time. Discussion ensued after which Mr. May departed the meeting.

Next, upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved (i) the CPI increase of \$0.65 per connection per month; and (ii) denied the BT request for an additional increase.

- H. Three Lakes Detention Pond Improvements. The Board then discussed e-mail correspondence from a resident from Three Lakes subdivision inquiring if the District would plant trees and/or construct a trail around the detention pond. It was noted 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, and waste disposal. The District consists of ten (10) subdivisions and if the Board assists with the development of a walking trail in one (1) subdivision, it will have to do the same for all subdivisions, which is not possible at this time. The District would need to have a park bond election to issue park bonds which would fund such projects. The District is not authorized to issue park bonds at this time, thus it cannot fund any walking trail projects.

IV. 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 "G". Mr. Plunkett noted that the District had 102.5% accountability for the period from July 14, 2019 through August 13, 2019. He also noted that 90.11% of the District's water came from the surface water source with the remainder from the District's groundwater wells.

Next, Mr. Plunkett reported that the pump at Lift Station No. 4 is out. EFS would be able to repair the pump at a cost of \$13,662 or purchase a new pump at a cost of \$19,898. Mr. Plunkett recommended the Board approved the purchase of a new pump at a cost of \$19,898.

Mr. Plunkett then stated that 100 additional residents have signed up for the EyeonWater app after the August smart water notice was distributed.

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 or termination of water service would occur at any time after this meeting. He also reviewed the Collections Agency Report.

Next, upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board (i) authorized the purchase of a new pump at a cost of \$19,898, as recommended by Eagle; and (ii) authorized termination of service to customers listed on the Termination List, in accordance with provisions of the District's Rate Order; and (iii) approved the Collections Agency Report.

V. **Engineer's Report.** Mr. Carpenter reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "H".

- A. Extreme Event Swales to Serve Northern Point Subdivision. The project is complete.
- B. Northern Point Stormwater Pump Station and Force Main. Design is in progress. IDS is coordinating with Harris County for the connection to their storm sewer in Hufsmith-Kohrville Segment 3.
- C. Project for Potential Harris County Joint Partnership. Mr. Carpenter stated that IDS is working to schedule a meeting with the Commissioner to discuss the project.
- D. Bond Application No. 14. The application has been submitted to the Texas Commission on Environmental Quality ("TCEQ"). ATCEQ staff memo has been received and the issuance of the Bonds has been approved.
- E. Detention Facilities Improvement. The project will improve the condition of the existing stormwater facilities and should reduce future maintenance costs. This project is included in the current bond application. Once the bond application is approved, IDS will present an engineering proposal for the project.
- F. Facilities Communication and Security. The contractor has all equipment necessary to complete the conversion and is expecting to complete the project within the next week.
- G. Hufsmith-Kohrville Improvements. Construction of Segment 2 will be starting soon. This segment involves the relocation of the existing Water Well No. 6 collection line, which will be completed by the Segment 2 contractor. The total cost of the relocation is estimated at \$281,500 and the District is responsible for 50 percent of the portion within Harris County Right-of-Way, which is approximately \$60,000 of the estimated total cost.

The design of Segment 3 is nearly complete. Harris County is finalizing the Right-Of-Way acquisition. This segment includes the storm sewer that will accommodate the excess drainage proposed from the increased capacity of the Northern Point Pump Station improvements.

- H. Operations Committee Meeting. The meeting has been scheduled for September 24, 2019.
- I. Harris County Flood Control District ("HCFCD") Mowing Agreement. HCFCD is preparing the final agreement.

- J. Three Lakes East Section 4 Storm Sewer Closed Circuit Televising ("CCTV"). The Operator has completed the CCTV and the initial reports are that the lines are clear of major blockages. IDS is reviewing the videos and will present a report at the next Board meeting.
- K. Water Quality Monitoring for Water Wells Nos. 2, 3, 4, 5, and 6. The August 2019 laboratory test results for benzene, toluene, ethyl benzene, or xylene (BTEX) in Water Wells Nos. 2, 3, 4, 5, and 6 are non-detect.
- L. Water Well No. 6 Conditional Acceptance and Sampling Requirements. In accordance with the approval letter from the TCEQ, the District must collect and submit chemical samples upon contact from a TCEQ representative or within 180 days of the date of the letter (due August 14, 2019). If the samples show levels higher than the minimum secondary constituent levels, the District may be required to design and install additional treatment equipment. Additionally, there are new sampling requirements for Water Well No. 6, which can be found in the TCEQ approval letter. TCEQ is yet to contact IDS regarding the sampling. IDS will work to determine what additional steps need to be taken, if any.
- M. Water Plant No. 1 Inspection. IDS will reinspect the tanks in 2020 or 2021 in consideration for a rehabilitation.
- N. Phase 4 Sanitary Sewer Rehab. The Operator believes the point repairs associated with this phase will be approximately \$110,000. IDS recommends authorizing the Operator to proceed with the sanitary sewer point repairs.
- O. Sandy Stream Sewer Capacity Evaluation: Upsize Required for Dungrove Tract. IDS is preparing plans and specification for this project. Mr. Carpenter asked for the Board's authorization to advertise the project for bids.
- P. Lift Station Control Panel Replacements. The electrical engineering consultant is preparing a proposal to perform engineering services for the control panels. IDS is working to ensure all the District's requirements for the panels are included in the design.
- Q. Wastewater Treatment Plant ("WWTP") Rehabilitation. IDS has conducted a one-year inspection of the lift station wet well on August 19, 2019. The lift station coatings were generally in good condition. There was an area of coating near the normal water level in the wet well where some peeling was noticed. SpectraShield has agreed to come in either one year from the inspection date or during the time at which the lift station is drained and cleaned for the wastewater treatment plant rehab project, whichever comes first, to repair the areas that are peeling.

- R. Harris County Street Acceptance Status. Uretek has completed the repair of the bird bath in Willow Falls Section 4. IDS has requested Harris County approval for the project. The Stonepine Section 2 road log issues have been corrected by Harris County.
- S. Northpointe Center – Phase II (Santikos). IDS has met with the developer of Main Event regarding the development of this site. Their engineer is preparing construction plans for the Main Event site.
- T. Northpointe Business Park. IDS has sent a letter to the developer and the developer's engineer addressing their failure to contact IDS prior to start of construction of public utilities. IDS also provided a list of construction records which will be required before approval of the constructed facilities. A final inspection of the public facilities was held on September 4, 2019 and an observer from IDS was present. A minor punchlist was generated and the contractor is working to address the items.
- U. Braemar Village Tract – Clearing and Grubbing project. Mr. Carpenter reported that bids were opened on August 27, 2019. The bids were received from Walsh Construction Company in the amount of \$172,470 and Lindsey Construction in the amount of \$195,295. Mr. Carpenter asked that the contract be awarded to the most advantageous bidder.
- V. Little Woodrow's. IDS is preparing the annexation map and necessary exhibits to complete the City of Houston annexation application.
- W. 12.5-Acre Dungrove tract. The land costs have been included in the bond application. IDS is preparing a feasibility study for a potential land buyer for the undeveloped portion of the tract. This end user is considering an office/warehouse project.
- X. 12.9-Acre Tract East of Hufsmith-Kohrville. The developer has dropped his development plan because the storm sewer along Hufsmith-Kohrville does not provide enough outfall depth to serve the tract. There may be an opportunity for the District to partner with Harris County to redesign this storm sewer to allow additional outfall depth for this site.
- Y. 42-Acre Favro Family Tract (West of Hufsmith-Kohrville). The Developer is reviewing options for the land plan and major thoroughfare plan. The development includes 63 single-family residential lots, 11 private estate lots, a community center including a club, recreational land, and facilities, and a parking lot.
- Z. Riverside Construction Tract. There were no matters to report.
- AA. Stonepine HOA Splash Pad. IDS has received a request from the Stonepine HOA for a new tap for a splash pad. The splash pad is proposed to be a pass-through

system, which means the water is not treated any further and is not recycled. The utility commitment was approved by 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) authorized the Operator to proceed with the sanitary sewer point repairs at an approximate cost of \$110,000; (ii) authorized IDS to award the Braemar Village contract to the most advantageous bidder; and (iii) approved the Engineer's Report.

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

VII. **Attorney's Report.**

- A. **HMT utility easement.** Mr. Johnson reported on his conversations with the attorney for HMT and the engineer and developer for the Little Woodrow's, noting that the potential solutions include (i) Little Woodrow's to obtain a waiver from the City of Houston for public access easement; (iii) have property owners take ownership of the road; or (ii) build the road according to the County's standards, which is the most expensive option.
- B. **Minutes of August 15, 2019 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 August 15, 2019 meeting.
- C. **ESD Sales Tax Issue.** There were no additional updates regarding this matter.

VIII. **Adjournment.** With no additional matters before the Board, the Board adjourned the meeting at 8:38 p.m.

PASSED AND APPROVED this 3rd day of October, 2019.


Secretary, Board of Directors

Exhibits:

- "A" Riverside Annexation Agreement
- "A-1" Riverside Reimbursement Agreement
- "A-2" Petition to District for Annexation
- "A-3" Petition for Consent to Annex
- "A-4" Utility Commitment Letter
- "B" Amendment to Operator Agreement
- "C" Audit Report
- "D" Amended Rate Order
- "E" Amended Drought Contingency Plan
- "F" Best Trash Rate Increase Request
- "G" Operator's Report
- "H" Engineers Report

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019

July 23, 2019

Lawrence Barris
Managing Member
Boudreaux 11705 Properties, LLC
12715 Cloverwood
Cypress, Texas 77429

Re: Agreement to Annex the 9.6 acre tract located east of State Highway 249,
west of Hufsmith-Kohrville Road, north of SH 99 and south of Boudreaux Road
(the "Property")

Mr. Barris:

This letter will confirm our agreement (the "Agreement") with respect to Boudreaux 11705 Properties, LLC (the "Developer") annexation of the Property into Harris County Municipal Utility District No. 368 (the "District").

1. The District has received your \$7,500 fee for feasibility analysis along with your request for annexation of the Property, which was referred to the District's Engineer for feasibility analysis. Based upon information you have furnished with respect to your development, the Engineer has determined that the project use, a commercial development utilizing twenty (20) equivalent single family connections ("ESFCs"), is feasible.
2. Enclosed with this Agreement is the Amended Order Adopting Consolidated Rate Order and Rules and Regulations; Establishing Policy Regulating Water Use During Emergencies; Establishing a Wastewater Control Order; Establishing Certain Other Policies; and Providing Penalties for Violation Thereof (the "Rate Order"), the Amended and Restated Policy, Procedures and Application for Water and Sewer Service, Annexation and/or Developer Reimbursement (the "Annexation Policy"). The Developer acknowledges the existence of these documents and agrees that it is subject to, and will follow, the terms of each.
3. Since it has been determined that the annexation of your development is feasible, you agree to provide the District with the documents described in the Letter of Intent, enclosed herewith.

4. If the Petition for Addition of Certain Lands into the District (the "Petition") is filed with the District, the District will:

- a. submit the Petition for Consent to Annex the Property for approval by the City of Houston; and
- b. issue a utility commitment for twenty (20) ESFCs to serve your commercial development. Any other use or any additional connections must be approved by the Board. The utility commitment will be substantially in the form attached hereto as Exhibit "A," and will be subject to all rules and regulations of the District at the time of issuance.

5. As of each January 1 while this Agreement is in effect and the Property is not annexed by or on the tax roll of the District, the Owner agrees to make a payment to the District in lieu of taxes at the time taxes are levied by the District for that year and in an amount equal to the ad valorem taxes which would be due to the District for the Property at the District's tax rate applied to the assessed valuation without exemptions as established by Harris Central Appraisal District if the Property would have been in the District and subject to taxation. The Owner shall include notice of this provision in each contract for sale of land out of the Property. If payment is not made as required, any utility commitment issued by the District pursuant to this Agreement shall be void and of no force or effect until such payment is made. Notwithstanding the above, if the District is providing service of any kind, payments in lieu of taxes shall continue until service is terminated or the annexation is complete.

6. The District may, at its sole discretion, record a memorandum of this Agreement and copies of the Petition in the Real Property Records of Harris County, Texas.

7. The Developer agrees to pay all costs associated with annexation of the Property, including any reasonable additional expenses of the District or its consultants relating to the annexation of the Property.

Should the above accurately and adequately reflect your understanding of the District's terms and conditions in honoring your request for annexation, please evidence same by executing this letter in the space provided and returning to the undersigned at your earliest possible convenience.

Very truly yours,

HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 368

By: _____
Roy P. Lackey, President

Enclosure: Rate Order
Annexation Policy

I, Lawrence Barris, Managing Member of Boudreaux 11705 Properties, LLC, acknowledge that I have read the foregoing and that in my capacity as said Managing Member of Boudreaux 11705 Properties, LLC, I have the requisite authority to execute this Letter Agreement and bind Boudreaux 11705 Properties, LLC, to the terms and conditions therein.

Accepted as of the _____ day of _____, 2019.

Boudreaux 11705 Properties, LLC
a Texas Limited Liability Company

By: _____
Lawrence Barris
Managing Member

THE STATE OF TEXAS §
 §
COUNTY OF TEXAS §

This instrument was acknowledged before me on _____, 2019, by Lawrence Barris, Managing Member of Boudreaux 11705 Properties, LLC, a Texas Limited Liability Company, on behalf of the said entity.

Notary Public, State of Texas

(SEAL)

EXHIBIT "A"

FORM OF UTILITY COMMITMENT LETTER

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

c/o JOHNSON PETROV LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019

_____, 2019

Lawrence Barris
Managing Member
Boudreaux 11705 Properties, LLC
12715 Cloverwood
Cypress, Texas 77429

RE: Harris County Municipal Utility District NO. 368 the "District") –
Application for Service

Gentlemen:

This will confirm that the Board of Directors of the District met on _____, and considered your request for water and wastewater capacity to serve the 9.6-acre tract described (the "Property"), for the purpose of providing service to a proposed commercial development.

The Board of Directors has reserved twenty (20) equivalent single family connections for service to the Property. However, this confirmation of commitment is subject to the following provisions:

1. This commitment is nontransferable to any person, entity or property without the express written consent of the District. The District shall not unreasonably withhold such consent so long as the provisions in the Utility Commitment Policy and the District's Rate Order are followed. The District shall not unreasonably withhold such consent so long as the transfer is to a subsequent purchaser of the Property proposing to utilize the same utility capacity and land use as approved herein.
2. The capacity to be allocated to you is subject to any restrictions on capacity or service imposed by the State of Texas or any other authority with jurisdiction, including permit limits, on the same basis as other property in the District.

3. If in the District's opinion, the parameters of this Utility Commitment Letter are exceeded, you hereby voluntarily agree to allow the District to limit future taps and connections to the Property or limit use of water and sewer capacity to the amount of this commitment.
4. All provisions of the District's Rate Order now or hereafter in force or any other order or resolution of the District regulating water and/or sewer service shall govern service to the Property.
5. The District shall have the right to enter the Property at any reasonable time to inspect or test the Property, any connections or any other water or sewer facilities serving the Property.
6. This commitment is based upon and applies only to the facilities, plans and information given to the District at its meeting of _____, 2019. Any change in use or configuration not approved by the District shall render this commitment void without further notice.
7. In the event any utility facilities are to be dedicated to the District for maintenance, such utilities must be designed and constructed in accordance with all city, county and state requirements and must be approved by the District's Engineer. All such utility facilities shall be located in easements dedicated to the District and shall have a one (1) year warranty against any defect.

At such time as you wish to utilize the capacity allocated to you, you should contact the District's Operator and/or Engineer to ensure full compliance with all District rules, regulations and tap fees.

If this foregoing is in agreement with your understanding of the conditions of the Board's commitment to you, please indicate your agreement by signing the duplicate original of this letter in the space provided below and return same to me at which time this commitment will become effective.

Should you have any questions, please do not hesitate to let me know.

Sincerely,
HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 368

By: _____
Roy P. Lackey, President
Board of Directors

I certify that I have read and understand the above and agree to and accept the terms of this Utility Commitment this _____ day of _____, 2019.

Boudreaux 11705 Properties, LLC
a Texas Limited Liability Company

By: _____
Lawrence Barris
Managing Member

THE SALE, PLEDGE OR TRANSFER OF CERTAIN RIGHTS GRANTED IN THIS AGREEMENT WITHOUT STRICT COMPLIANCE WITH ARTICLE IV HEREOF SHALL BE INEFFECTIVE

**WATER, SEWER AND DRAINAGE
IMPROVEMENT FINANCING AND CONSTRUCTION AGREEMENT
BY AND BETWEEN
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
AND
BOUDREAUX 11715 PROPERTIES, LLC**

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This Water, Sewer and Drainage Improvement Financing and Construction Agreement (hereinafter called the "Agreement") is made and entered into as of this 5th day of September 2019, by and between **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**, a conservation and reclamation district, a body politic and corporate and political subdivision of the State of Texas, created pursuant to Article XVI, Section 59 of the Texas Constitution and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended, and Boudreaux 11715 Properties, LLC, a Texas limited liability company (whether individually or collectively, hereinafter the "Developer").

WITNESSETH:

RECITALS

WHEREAS, the District is authorized under the Texas Water Code, to purchase and construct, or otherwise acquire fresh water supply systems, sanitary sewer systems, storm sewer systems and drainage facilities or parts of such systems or facilities, and to make any and all necessary purchases, construction, improvements, extensions, additions and repairs thereto, and to purchase or acquire all necessary equipment, buildings, plants, structures and facilities therefor, and to operate and maintain same, and to sell water, sewage treatment and other services, and to issue its bonds to finance any of the above listed activities;

WHEREAS, the Developer owns approximately 9.530 acres of land inside the boundaries of the District, more particularly described in Exhibit "A" attached hereto;

WHEREAS, the District proposes to either (i) issue bonds in the future to finance the construction or acquisition of fresh water, sanitary sewer and/or drainage facilities (the "Facilities") to serve said 9.530 acres (the "Development"); or (ii) finance same from cash available to the District for such purposes.

WHEREAS, the District proposes to provide fresh water, sanitary sewer and drainage services and Facilities to users within the District and recognizes that the 9.530 acres on which the Developer plans to develop, is located within the District and as such is entitled to receive the

benefit of the District's services and Facilities; and

WHEREAS, the Developer desires to proceed with the development of commercial improvements on the Property, and the Developer requires fresh water, sanitary sewer, and drainage services and Facilities to serve the Property and the District and Developer agrees such Facilities are needed, but not currently present.

NOW, THEREFORE, the parties hereto have determined that under the circumstances and for their mutual benefit, they desire to enter into this Agreement whereby the Developer will advance funds for and advertise for bids and enter into contracts with the approval of the District for the construction of the hereinafter described Facilities, and the District will make its best efforts to issue bonds (the "Bonds") or otherwise provide funding directly from its operating fund for the purpose of purchasing the Facilities from the Developer and/or assuming contracts for the construction of the Facilities.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations and benefits in this Agreement, the District and the Developer contract and agree as follows:

ARTICLE I

REPRESENTATIONS AND DEFINITIONS

Section 1.01 Representations.

(a) The District represents that it has full legal authority to enter into this Agreement and to issue the Bonds subject to approval of the Commission and the Attorney General of Texas, and that upon such approval, it will proceed with the issuance of the Bonds in accordance with this Agreement and the Constitution and laws of the State of Texas.

(b) The District represents that it can, at its discretion, provide funding directly from its operating fund.

(c) The Developer represents, covenants and agrees that the Developer has the funds available or has the ability to secure the funds necessary to enable the Developer to perform its obligations under the terms of this Agreement in a timely and expeditious manner.

(d) Developer represents, covenants and agrees that Developer: (i) has good and indefeasible title to the Property, which will also include the Facilities; (ii) has dedicated or will dedicate or will obtain all easements containing the Facilities to the District at no cost or other amount authorized by the Commission; (iii) has conveyed or will convey in fee simple all real property which constitutes a Site or Sites; (iv) has or will comply with all applicable rules and regulations of the Commission with respect to reimbursement of a developer; and (v) has full legal authority to perform its obligations under the terms of this Agreement in a timely and expeditious manner, subject to any applicable municipal, State and federal rules and regulations and subject to the District timely and fully performing its obligations under this Agreement.

(e) For and in consideration of the Developer's agreement to provide for the benefit of the District the funds necessary to pay the Construction Costs of the Facilities, as hereinafter provided, and the District's agreement to pay to the Developer, as hereinafter provided, the Reimbursable Share, the Developer agrees to sell and assign, and the District agrees to purchase all of the Developer's right, title and interest in and to such final plans, specifications and contract documents and the Facilities to be constructed pursuant thereto.

(f) The Developer and the District agree and represent that all contracts for the construction of the Facilities shall be let in the name of the Developer as an independent contractor, not as an agent of the District, and that the District shall only become a party to such construction contracts if and when they are assigned to and assumed by the District as provided herein.

(g) The Developer represents that after the date Developer executes Exhibit "B", it will not claim any agricultural or open space use valuation, or any other type of exemption or valuation available under the Texas Property Tax Code, for the Property that would reduce the assessed value of the Property below its market value for purposes of ad valorem taxation by the District, except as allowed in Exhibit "B." If any such use, exemption or valuation is claimed on the Property after the date Developer executes Exhibit "B", except as allowed in Exhibit "B", this Agreement shall automatically terminate. The Developer agrees upon execution of this Agreement, to execute a recordable instrument in a form substantially similar to that attached in Exhibit "B", waiving its right to claim such exemption for the Property, except as set forth therein.

Section 1.02 Definitions.

Unless the context requires otherwise, the following terms and phrases used in this Agreement shall have meanings as follows:

(a) The term "Bonds" shall mean the issue or issues of unlimited tax bonds, combination unlimited tax and revenue bonds, or other obligations of the District which are hereafter issued and sold by the District pursuant to the provisions of this Agreement and the provisions of Chapters 49 and 54, Texas Water Code, as amended, for the purposes provided in this Agreement, and any refunding bonds issued in lieu thereof.

(b) The term "City" shall mean the City of Houston, Harris County, Texas.

(c) The term "Commission" shall mean the Texas Commission on Environmental Quality or any governmental agency successor to the Texas Commission on Environmental Quality.

(d) The term "Construction Costs" shall mean and include all actual costs, directly related to the development, construction and inspection of the Facilities paid by the Developer, including but not limited to:

- (i) construction contract amounts, including approved change orders;
- (ii) advertisement costs and permitting costs, including, without limitation, federal stormwater permit costs;

- (iii) resident construction inspection service as approved by the District;
- (iv) engineering fees incurred by the District's Engineer and Developer's Engineer for consultation, surveying and preparation of plans and specifications of the Facilities and construction supervision and other necessary services;
- (v) market study, if one is required to support the District's Bond application to the Commission; and
- (vi) legal fees incurred by the Developer related directly to the letting and preparation of construction contracts and the obtaining of approval from the appropriate governmental agencies for such construction.

(e) The term "Contractor" shall mean an individual, partnership or corporation that is a party to a construction contract with the Developer relating to the construction of the Facilities and includes one who furnishes material worked to a special design according to the plans and specifications for construction of the Facilities.

(f) The term "Developer's Engineer" shall mean the District's Engineer or such other engineer or engineering firm as maybe selected and so designated by the Developer, with the approval of the District, as its engineer from time to time.

(g) The term "District's Engineer" shall mean IDS Engineering Group or such other engineer or engineering firm as may be selected and so designated by the District as its engineer from time to time.

(h) The term "District's Financial Advisor" shall mean Rathmann & Associates, LP. or such other financial advisor or financial advising firm as may be selected and so designated by the District as its financial advisor from time to time.

(i) The term "Impact Fees" shall mean any impact fees, tap fees, water meter fees or capital recovery fees paid by the Developer as a financing service to the District or any other governmental entity (other than the District) for services or facilities in order for the District to serve the Property.

(j) The term "Interest Costs" shall mean the interest on moneys paid by the Developer for Construction Costs, Impact Fees, and Site Costs, calculated at a rate equal to the lesser of (i) the net effective interest rate of the District's Bonds issued to pay the Reimbursable Share, or applicable portion thereof, as calculated under Section 3.03 of this Agreement, or (ii) if the Developer obtained loans for the purpose of making payment of Construction Costs, Impact Fees, and Site Costs, the interest rate actually paid by the Developer on the applicable loan in either event calculated for a period of up to two (2) years on those (and only those) Facilities so limited by the rules of the Commission after the final payment by the Developer on approved Construction Costs or after payment of the Impact Fees and Site Costs in accordance with the rules of the Commission to the time of the payment described in Section 3.01 of this Agreement. If the Developer uses its own funds to pay Construction Costs, Impact Fees, and Site Costs and consequently does not obtain loans for said purpose, Interest Costs shall be calculated on the basis of (i) above.

(k) The term "Facilities" shall mean all the fresh water, sanitary sewer and drainage facilities required to be constructed to serve the Property.

(l) The term "Property" shall refer to the real property described on Exhibit "A" of the Developer's proposed commercial development, which is to be located within the District's boundaries.

(m) The term "Reimbursable Share" shall mean the amount to be paid by the District to the Developer for services rendered under this Agreement in accordance with the rules of the Commission, which shall be an amount not less than the sum of:

- (i) the Construction Costs;
- (ii) Impact Fees;
- (iii) Interest Costs; and
- (iv) Site Costs.

The above shall be limited, however, to only such costs that the Commission allows to be paid and which will not subject the interest on the Bonds to federal income taxation based upon then applicable laws and regulations, and subject further to the conditions and limitations set forth in this Agreement. The Reimbursable Share shall not exceed 100 percent (100%) of the total cost of the Facilities plus interest. The Board of Directors of the District shall, in its sole discretion, determine when bonds shall be sold within the guidelines set forth above. It is estimated by the District's Engineer that the maximum amount of the Reimbursable Share will total approximately \$101,100 for water, sewer, and drainage facilities. The Reimbursable Share shall not exceed the amount which is Self-Supporting. District Facilities, as defined in the Commission rules, if any, shall be reimbursed at one hundred percent (100%), and other Facilities constructed by the Developer shall be reimbursed at the level which is Self-Supporting, as defined herein, at the time of reimbursement.

(n) The term "Reimbursement Date" shall mean the actual date on which payment of the Reimbursable Share is tendered by the District to the Developer, as provided for herein.

(o) The term "Self-Supporting" means that the estimated taxable value of the Developer's development subject to reimbursement shall be sufficient at the time of reimbursement to amortize the debt service payments on a bond issue in an amount equal to the amount of the Reimbursable Share and payable to the Developer, including the Developer's developments' pro rata share of all associated costs, fees and expenses of issuing the bonds, including but not limited to professional fees, capitalized interest and contingencies, in a bond structure as applied for by the District to the Commission, at an interest rate estimated by the District's Financial Advisor and reduced by an amount equal to the District's costs for related water plant and wastewater treatment plant capacities as applied by the District's financial advisor pursuant to the District's policies. The District shall determine, in its sole discretion, when the Developer's development is Self-Supporting.

(p) The term "Site" or "Sites," if applicable, shall mean the real property on which

any water plant, sewer plant, lift station or storm water detention facilities will be constructed and which real property will be conveyed to the District by Developer only by special warranty deed, in a form acceptable to District, pursuant to this Agreement.

(q) The term "Site Costs" shall mean the costs of all necessary easement, rights-of-way and sites required for the Facilities, including costs of any eminent domain proceedings paid by the Developer and/or advanced to the District as a financing service, it being acknowledged by the District that the acquisition of Sites and the services of the Developer to acquire Sites are necessary pre-requisites to the other goods and services to be provided by the Developer under this Agreement, including, without limitation, the financing of the construction of the Facilities.

ARTICLE II

CONSTRUCTION OF FACILITIES

Section 2.01 Plans and Specification - Underground Facilities. The District's Engineer will prepare or supervise the preparation of plans and specifications for construction of the underground water, sewer and drainage Facilities to serve the Property. The District's Engineer will submit the plans and specifications to the City, the Commission, Harris County, the Texas Department of Health and all other agencies having jurisdiction for review and approval. Neither the District's Engineer nor the Developer's Engineer will make any changes in the construction plans and specifications relating to the Facilities, as approved by the Developer and the engineers, except as may reasonably be necessary in order to obtain and/or retain the approval of any reviewing authority of the said plans and specifications. In the event changes to the plans and specifications are made to obtain and/or retain the approval of reviewing authorities, the Developer agrees to construct the Facilities, pursuant to Section 2.04 and 2.05 below, in accordance with such changes as are approved by the Developer, the District and the Commission.

Section 2.02 Plans and Specifications - Wastewater Treatment Plant/Water Plant. The District's Engineer will prepare or supervise the preparation of plans and specifications for the construction of the expansion of the District's existing wastewater treatment plant and water plant, or additional treatment and water plants, as such may be required. The District's Engineer will submit the plans and specifications of the City, the Commission, Harris County, the Texas Department of Health and all other agencies having jurisdiction for review and approval.

Section 2.03 Construction.

(a) The Developer, or its agents, agrees to advertise for bids and award the contracts necessary for construction of the Facilities pursuant to all applicable laws of the State of Texas governing public contracts, and the Rules of the Commission. The Developer, or its agents, shall, with approval of the District, advertise for bids and award contracts for the construction of the Facilities and shall take such other action as is necessary to cause construction of the Facilities to be commenced in compliance with the plans and specifications as approved by all applicable governmental bodies and in accordance with the Rules of the Commission.

(b) The Facilities will be constructed upon Sites and within easements agreed to by the

District or in dedicated streets or utility easements.

(c) After commencement of construction the Developer, or its agents, will take such reasonable action as is necessary to cause the construction of the Facilities to be diligently prosecuted to completion in a reasonable time.

(d) If for any reason the Developer decides at its sole discretion and determination that it is not economically feasible to go forward and does not go forward with its plans for the development of the Property, the Developer may, in its sole discretion, delay commencing construction of the Facilities agreed to herein until such time as it is economically feasible to go forward with the development of the Property.

Section 2.04 Construction Contracts.

(a) The Developer, or its agents, shall submit all contract documents to the District for its approval, which shall not be unreasonably conditioned, delayed, withheld or denied prior to the awarding of any such contract. All construction contracts the Developer, or its agents in the name of Developer, enters into for the construction and acquisition of the Facilities shall be for the benefit of the District as a third party beneficiary and shall be subject to, among others, the following special conditions which shall be in writing: (1) The "Engineer" referred to in any construction contract shall be the District's Engineer or Developer's Engineer, as appropriate, in accordance with the terms of this Agreement; and (2) the "Owner" referred to in any construction contract shall be the Developer for purposes of administration of the construction contract and for all other purposes including the purposes of liability for and payment of all payments that become due and payable under a construction contract.

(b) The Developer, or its agents, shall award and administer all construction contracts, and the Facilities shall be installed in full compliance with all applicable laws of the State of Texas and the rules of the Texas Department of Health, the Commission, Harris County and any and all other appropriate governmental agencies and bodies.

(c) If for any reason the Developer fails to make any valid and correct payments that become due and payable under a construction contract, the District shall have the option, but not the obligation, to make such payments on behalf of the Developer and shall be entitled to recover from the Developer any such payments so made.

Section 2.05 District Supervision of Construction. Following award of construction contracts, the Developer or its agents, shall issue the necessary work orders and cause construction to be initiated and performed in accordance with final plans, specifications and contract documents, as approved by the parties hereto. No material change, alteration, or deviation from such final plans and specifications shall be made or permitted by the Developer unless same is first approved by both parties hereto. Subject to reasonable safety precautions, the District shall have reasonable access at all times to construction in progress and may make such inspections thereof as may be deemed reasonably necessary or desirable and may call to the attention of the Developer, his construction inspectors, the Developer's Engineer, the District's Engineer or the Contractor(s), any material deviations from the final plans and specifications. The Developer or its agents shall in good faith attempt to correct or cause to be corrected any

such construction deficiencies noted by the District. The District shall also have full access to all construction contracts, other contracts, books, records, accounts and physical properties directly related to the construction of the Facilities, but the Developer shall have the right to exclude from such books, records and accounts any of its trade secrets, formulae, or processes and any items not directly related to the construction of the Facilities.

Section 2.06 Payments to Contractor. Upon receipt of a periodic payment request from a Contractor engaged in the construction of all or any portion of the Facilities, the District's Engineer or Developer's Engineer, as appropriate, shall determine the amount properly payable and promptly invoice the Developer. The Developer shall provide copies of all invoices and certifications recommending payment to the District for its review. The Developer shall timely pay to the Contractor the sum necessary to satisfy the Contractor's payment request (or the portion thereof recommended and approved for payment by the District's Engineer). The Developer will maintain and provide the District with a complete accounting of the Construction Costs incurred by the Developer to assist the District in determining the Reimbursable Share.

Section 2.07 Ownership of Facilities. Subject to the provisions of Section 2.04, above, any contracts entered into by the Developer with Contractor(s) are for the benefit of the District. It is the intent of the parties that ownership of and title to all portions of the Facilities as constructed shall ultimately be in the District, upon payment in full by District to Developer of the Reimbursable Share and any other amounts due Developer by the District under this Agreement or otherwise, subject to the reimbursement audit prepared by the District's auditor, and that ownership and title to all materials delivered to and stored in the District and which are intended to become incorporated into the Facilities or consumed in construction of the Facilities shall ultimately be in the District.

Section 2.08 Sales Tax Exemption. The parties agree, acknowledge and understand that the District qualifies for exemption for Texas State and local sales taxes pursuant to the provisions of Section 151.309(5) of the Texas Tax Code, as amended, and that the Developer shall, in purchasing all materials to be incorporated into the Facilities and in purchasing, renting, or leasing all materials, supplies and equipment to be used or consumed in the construction of the Facilities, cause to be issued to its suppliers or the suppliers of the Contractor(s), with the cooperation of the District where necessary, an exemption certificate in lieu of said tax, with any such exemption certificate to comply with and be subject to any and all applicable Rules and Rulings of the State Comptroller of Public Accounts.

Section 2.09 Notice of Completion of Facilities. The Developer shall cause the construction of the Facilities to be inspected by the District's Engineer, or, if necessary the Developer's Engineer, as agreed to by the parties, and shall notify the District of the time and place of the final inspection of the construction of the Facilities and afford the District and the District's Engineer a reasonable opportunity to review and inspect same and call attention to any defect, discrepancy, incompleteness or deviation from the final plans and specifications. Upon the completion and final inspection of, and issuance of certificates of completion by the District's Engineer or the Developer's Engineer, as appropriate, for all construction contracts relating to the Facilities which have not been assumed by the District, the Developer shall make any final payment due the Contractor(s). However, final payment shall not be made by the Developer until

approved by the District, such approval not to be unreasonably withheld.

Section 2.10 Responsibility for Facilities. After the District receives notice of completion of the Facilities, and to the extent it is financially able, the District shall be responsible for the operation and maintenance of the Facilities for providing fresh water, sanitary sewer and drainage services to the Property and shall be entitled to collect fees and charges for services provided by such Facilities in accordance with the rules, regulations, policies and operating procedures established by the District from time to time for similar classes of services within the District. The terms of this Section shall survive the expiration or earlier termination of this Agreement.

ARTICLE III

REIMBURSEMENT OF COSTS OF CONSTRUCTION

Section 3.01 General Statement. The purpose of this Article is to provide for the payment by the District to the Developer of the costs of engineering and construction of the Facilities and acquisition of the Sites, subject to the provisions of Section 1.02(m), above.

Section 3.02 Submission of Bond Application. Upon determination by the District, after consultation with the District's Financial Advisor and the District's Engineer to determine the feasibility of a District bond issue, the District shall instruct the District's Engineer to proceed promptly with the preparation of an engineering report and all required attachments and exhibits thereto, necessary to enable the District to make application for the issuance of the Bonds pursuant to Commission Rule No. 31 TAC § 293.41 et seq., or similar rules of any successor agency, in an amount sufficient to pay or provide for the payment of the cost of the Facilities, including the Developer's Reimbursable Share. Upon completion and adoption of such report, the District will take all steps reasonably necessary in accordance with the Rules of the Commission and all applicable laws to prepare, submit, file and process with the Commission a bond application for approval of the issuance of sufficient bonds to pay or provide for the payment of the Construction Costs of the Facilities, including the Reimbursable Share.

Section 3.03 Issuance and Sale of Bonds. The District agrees that it will use its best efforts in good faith to issue, sell and deliver its Bonds on the best available terms as soon as reasonably practical according to the provisions of this Agreement and will use the proceeds of the sale of such Bonds to pay the Reimbursable Share incurred by the Developer in the manner and amount approved by the Commission. The District shall advertise and receive bids, and issue, sell and deliver the Bonds as soon as reasonably practical; provided, however, that if no bid is received by the District offering to purchase the bonds at a net effective interest rate equal to or less than two (2) percentage points over the maximum weekly average of the "20-Bond Index" in Credit Markets for the thirty-day period immediately preceding the date of the notice of sale of the Bonds, the District shall not be required to accept any such bid(s) nor be obligated to readvertise and attempt to sell such Bonds sooner than sixty (60) days following the last such unsuccessful attempt to sell the Bonds. Upon the sale of the Bonds, the District shall use its best efforts in good faith to obtain the Attorney General's approval of the Bonds and registration of the Bonds by the Comptroller of Public Accounts of the State of Texas. The District may apply an interest rate, as determined by the District's financial advisor, based on the current market for

District Bonds Notwithstanding the foregoing or any provision of this Agreement to the contrary, it is understood and agreed that no provision of this Agreement shall prohibit the District from issuing notes or making other arrangements (including funding directly from the District's operating fund) in order to purchase or construct the Facilities or to pay the Reimbursable Share, and the District covenants to use good faith efforts to do so in the event that the sale of Bonds is not feasible, would be unmarketable or if the District otherwise chooses to pay the Reimbursable Share through alternative means.

Section 3.04 Developer Request for Reimbursement. The Developer agrees to maintain and provide the District with a complete accounting of all Construction Costs incurred by the Developer in order to determine the Reimbursable Share. The District's Engineer shall verify such Reimbursable Share to the District, and the Developer and the District's Engineer agree to assist the auditor engaged by the District to perform the legally required audit of the bond issue in determining and verifying the Reimbursable Share.

Section 3.05 Purchase of Facilities. The District's obligation to purchase the Facilities is subject to the following:

- (a) The Developer's compliance with all terms of this Agreement;
- (b) Approval of the plans and specifications of the Facilities by all federal, State and local bodies having jurisdiction;
- (c) The Facilities shall be constructed in a good and workmanlike manner, and the materials used shall be free from defects and fit for the intended purpose;
- (d) The Facilities shall be constructed in dedicated public rights-of-way or utility easements. The Developer shall convey to the District or by conveyance document in recordable form all the necessary easements, rights-of-way, for the real property on or under which the Facilities are located and shall convey by warranty deed any Site or Sites for the Facilities, except as provided by the Rules of the Commission, without the charge or expense to the District;
- (e) Upon completion of the construction of the Facilities, the Developer shall provide the District with "as-built" drawings of the Facilities approved by the District's Engineers;
- (f) The District's Engineer shall provide the District with certification to the effect that the construction has been completed in accordance with the plans and specifications as approved by the District;
- (g) Approval by the Commission of the issuance and sale by the District of Bonds for the purchase of Facilities (but only in the event that the District sells bonds to fund the Reimbursable Share);
- (h) The receipt of a bid and awarding of sale of the Bonds by the District (but only in the event that the District sells bonds to fund the Reimbursable Share);
- (i) Approval of the Bonds by the Attorney General of the State of Texas (but only in

the event that the District sells bonds to fund the Reimbursable Share);

(j) Registration of the Bonds by the Comptroller of Public Accounts of the State of Texas (but only in the event that the District sells bonds to fund the Reimbursable Share); and

(k) Presentation to the District of a commitment for title insurance with respect to the real property on which the Facilities are located including the Site or Sites, if any, and the "easements" to be conveyed pursuant to this Agreement and a copy of every document affecting the chain of title to such real property from the date of the prior reimbursement agreement with the Prior Developer to the date of this Agreement, updated at closing in a form acceptable to the District.

Section 3.06 Release of Interest. Upon payment in full by the District to the Developer of the Reimbursable Share, the Developer shall, in writing, convey, transfer, release, terminate and forever relinquish to the District any and all claims, interests, rights, title and benefits or whatever nature or kind, including any and all beneficial interest that the Developer may have or may acquire to the Facilities by operation of law or pursuant to the terms and provisions of this Agreement, resulting from the Developer's payment of the Construction Costs. Further, Developer agrees to grant, sell and convey to the District all easements and Sites by special warranty deed, in a manner and form acceptable to District, upon which the Facilities shall have been or shall be constructed with full warranties, free and clear of all liens, claims, encumbrances, options, charges, assessments, restrictions, limitations and reservations, including liens for ad valorem taxes for past and current years and payments due to construction contractors, laborers or materialmen, except for matters already of record or usual subdivision restrictions. This Section shall not be construed to release any rights the Developer may have with respect to payment of the Reimbursable Share pursuant to the terms and provisions of this Agreement.

Section 3.07 Warranties on Facilities. Any and all obligations, warranties, guarantees or other assurances of workmanship, materials or equipment by the Contractor, materialmen or other suppliers of labor, material or equipment with respect to the installation and construction of the Facilities shall be for the benefit of and shall run to the District.

Section 3.08 Value Created by Developer. The District agrees that the taxable value created by or caused to be created by the Developer on the Property will be used solely to support debt to reimburse the Developer for the Developer's Reimbursable Share of the Facilities as calculated by the District's Financial Advisor under this Agreement, provided, however, that Developer shall seek reimbursement hereunder in a single bond issue, and that thereafter, the District may use any value on the Property for any purpose of the District. Developer acknowledges that such single reimbursement may not provide for 100 percent (100%) reimbursement to Developer of all of the Construction Costs of the Facilities, but shall be in an amount no less than the Reimbursable Share due Developer subject to the reimbursement audit, as prepared by the District's auditor and approved by the Board.

Section 3.09 Service to the Property. When the District accepts conveyance of the Facilities, the District shall have and enjoy complete ownership of the Facilities and the Developer shall have no further rights with respect to the Facilities except for payment of the

Reimbursable Share. The District shall provide water, sewer, and drainage service to the Property on the same terms and conditions as it provides services to all of the land within the District.

ARTICLE IV

MISCELLANEOUS

Section 4.01 Procedure. Neither Developer nor Developer's legal representatives or successors in interest by operation of law or otherwise shall directly or indirectly, voluntarily or by operation of law, sell, assign, encumber, pledge, or otherwise transfer or hypothecate (herein called an "Assignment") Developer's rights to the Reimbursable Share or any other sum or portions thereof due it or to become due it from the District or the Developer's contract right to any such sums arising out of and by virtue of this Agreement without strictly complying with the notice procedure set forth hereinbelow.

Section 4.2. Conditional Permitted Assignment. Developer shall have the right to (i) assign or pledge all or a portion of the Developer's contract right to any sum due or to become due under this Agreement to aid and assist Developer in the financing of its acquisition of the real estate comprising the Property and/or its development of the improvements to be constructed hereunder or for any other purpose deemed appropriate by the Developer, and (ii) assign (either outright or by operation of law) all or a portion of any sum due or to become due under this Agreement to a subsequent owner of the Property or another third party (each assignment or pledge referenced in (i) or (ii) above, an "Assignment"); provided, however, that any such Assignment shall be effective as to the District only upon strict compliance with and completion of each of the following terms and conditions:

- (a) The execution of an acknowledgement of notice by the District, the form of which is attached hereto as Exhibit "C," to evidence the District's receipt of notice of the Assignment; and
- (b) The recording of the Assignment for public notice purposes in the Official Public Records of Real Property of the county (or counties) in which the Facilities are located and the delivery of a copy of such recorded document to the District to confirm compliance with such public notice requirement.

Section 4.3 Reliance. The District shall be entitled to pay any sums due or to become due under this Agreement in accordance with the most recent Assignment with respect to which the District has executed an acknowledgement of notice as required hereunder, and the District's records with respect thereto shall be deemed conclusively correct. The District shall not be required to pay any sums due or to become due under this Agreement unless the party claiming such right to receive such sums can prove to the satisfaction of the District compliance with these requirements, and such party's rights thereto.

Section 4.4 Right to Interplead. In the event that any controversy or uncertainty should arise with respect to rights to any sum due or to become due under this Agreement, the

District shall have the right, at its sole and absolute discretion, to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties.

Section 4.5. No Waiver. The District's acknowledgement of notice of any Assignment hereunder shall not be deemed a waiver of the District's rights hereunder or the requirements of this Article IV with respect to any subsequent Assignments, and the parties hereto acknowledge and agree that any subsequent Assignments shall be subject to all of the terms hereof.

ARTICLE V

MISCELLANEOUS

Section 5.01 Liability of District. The District shall not be liable to any contractor, engineer, attorney or materialmen employed or contracted with by the Developer, unless the District assumes the construction contract(s) for the Facilities.

Section 5.02 Insurance. Upon the completion of any improvements constructed as part of the Facilities described herein and upon final inspection and acceptance thereof by the Developer and the District prior to the issuance of Bonds and purchase of Facilities by the District, the Developer shall engage, with the District's approval, a reliable insurance company to adequately insure the completed above ground improvements against risk of loss of such improvements and any liabilities in connection with the construction, operation or maintenance of the Facilities in the names of and for the mutual benefit of the District and the Developer. The Developer, upon entering into such insurance contract or contracts, shall send or cause to be sent executed copies thereof to the District. Such insurance contract or contracts shall be assumed and maintained by and be solely for the benefit of the District upon purchase of the Facilities by the District. ~~Notwithstanding anything to the contrary contained herein, as between the Developer and the District, the District shall bear all risk of loss of or damage to the Facilities occurring prior to the time of the District's payment of the Reimbursable Share to Developer, unless required otherwise by the rules of the Commission; provided, however, the Developer agrees, as a service to the District, to fund the cost to remedy any such loss or damage to the extent the District does not have funds legally available for same. Such assumption of risk shall not bar any action by the Developer and/or the District for recovery against third parties who may be responsible for such loss or damage.~~

Section 5.03 Force Majeure. If force majeure prevents either party hereto from performing any of its obligations under this Agreement, in whole or in part, then the obligations of such party, to the extent affected by such force majeure, shall be suspended during the continuance of any inability so long as such party is exercising due diligence to resume performance at the earliest practicable time. As soon as reasonably possible after occurrence of the force majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other party. The term "Force Majeure," as used herein, shall include, without limitation of the generality thereof, acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms,

floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakages or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and any other inabilities of either party, whether similar to those enumerated or otherwise, which are not within the control of the party claiming such inability, and which such party could not have avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be remedied with all reasonable dispatch, but shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

Section 5.04 Remedies Upon Default. It is not intended hereby to specify, and this Agreement shall not be considered as specifying an exclusive remedy for any default, but all such other remedies existing at law or in equity may be availed of by either party and shall be cumulative. ~~If either party hereto is the prevailing party in any legal proceedings against the other brought under this Agreement, such prevailing party shall additionally be entitled to recover court costs and reasonable and necessary attorney's fees from the non-prevailing party to such proceedings.~~

Section 5.05 No Additional Waiver Implied. No waiver or waivers of any breach or default (or any breaches or defaults) by either party hereto of any term, covenant, condition, or liability hereunder, or of performance by the other party of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 5.06 Addresses and Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply or advice herein provided or permitted to be given, made or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. For the purpose of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:
Harris County Municipal Utility District No. 368
c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019

If to the Developer, to:
Lawrence Barris
Boudreaux 11715 Properties, LLC
9103 Emmott Road, Building 2C
Houston, Texas 77040
ljbarris@gmail.com

The parties shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify any other address by at least fifteen (15) days' written notice to the other party.

Section 5.07 Modification. This Agreement shall be subject to change or modification only in writing and with the mutual consent of the parties.

Section 5.08 Parties in Interest. This Agreement shall be for the sole and exclusive benefit of the District, the District's successors, the Developer and the Developer's successors and shall not inure to the benefit of any Contractor(s) or any third party.

Section 5.09 Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement with respect to other persons or circumstances shall not be affected thereby.

Section 5.10 Merger. This Agreement, together with Exhibits "A", "B" and "C" attached hereto, constitutes the entire agreement between the parties relative to the subject matter hereof. There have been and are no agreements, covenants, representations or warranties between the parties other than those stated or provided for herein.

Section 5.11 Choice of Law. This Agreement and the transactions contemplated hereby shall be construed in accordance with and governed by the laws of the State of Texas. The obligations hereunder are further subject to all rules, regulations and laws of any regulatory agency having jurisdiction, including the Rules of the Commission.

Section 5.12 Term. Except as otherwise specifically provided herein, this Agreement shall be in force and effect from the effective date hereof until the earlier of (a) twenty (20) years from the date first written above, except in the event of earlier termination pursuant to the provisions of Section 2.03, or (b) the date upon which all of the following have occurred: the Developer has conveyed the Facilities to the District and the District has paid the Reimbursable Share to the Developer. Should this Agreement terminate in accordance with Section 2.03 of this Section, the parties in good faith shall consider the renewal of this Agreement upon mutually acceptable terms. Notwithstanding termination of this Agreement as set forth above, Developer shall be entitled to (x) complete the performance of its services related to the construction of any Facilities approved by the District as of the date of such termination, (y) be paid the Reimbursable Share related thereto in accordance with the terms of this Agreement, and (z) be paid any other portions of the Reimbursable Share accrued but unpaid at the date of such termination.

Section 5.13 Assignability. This Agreement shall bind and benefit District and its legal successors and Developer and its legal successors, but shall not otherwise be assignable, in whole or in part, by either party except by supplementary written agreements between the parties. The District understands and acknowledges that Developer may sell all or a portion of the Property to another party and agrees to cooperate with Developer in connection with the assignment of this Agreement or the preparation of a similar agreement with such party,

provided such agreement shall be subject to and contain substantially the same terms and conditions as set forth herein unless otherwise agreed to by the District. If a city annexes the District in its entirety and such city assumes the obligations of the District, this Agreement shall remain in full force and effect and such city shall be entitled to the benefits of the District hereunder and shall be required to assume the obligations of the District hereunder, including the obligation to pay the Reimbursable Share hereunder.

Section 5.14 Anti-Boycott Verification. As required by Chapter 2270, Texas Government Code, the Developer hereby verifies that it does not boycott Israel and will not boycott Israel through the term of this Agreement. For purposes of this verification, "Boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Section 5.15 Iran, Sudan and Foreign Terrorist Organizations. Pursuant to Chapter 2252, Texas Government Code, the Developer represents and certifies that, at the time of execution of this Agreement neither the Developer, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same (i) engages in business with Iran, Sudan, or any foreign terrorist organization as described in Chapters 806 or 807 of the Texas Government Code, or Subchapter F of Chapter 2252 of the Texas Government Code, or (ii) is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code. The term "foreign terrorist organization" in this paragraph has the meaning assigned to such term in Section 2252.151 of the Texas Government Code.

Section 5.16 Waiver of Governmental Immunity; Remedies. The District and the Developer agree that this Agreement constitutes an agreement for providing services to the District and is subject to the provisions of Subchapter I or Chapter 271, Texas Local Government Code, as amended, and any successor statute(s), as and if in effect. In accordance with Sections 271.152 and 271.153 thereof, to the extent limited, however, by the provisions thereof, the District hereby waives any constitutional, statutory or common law right to sovereign or governmental immunity from liability or suit and expressly consents to be sued and liable to the extent necessary for the Developer to enforce this Agreement, but only as to the Developer and this Agreement.

EXHIBIT "A" - Legal Description of the Property
EXHIBIT "B" - Waiver of Special Appraisal
EXHIBIT "C" - Acknowledgement of Notice

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of which shall be deemed to be an original, as of the date and year first written above.

DISTRICT:

**HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 368**

By: _____
Roy P. Lackey
President, Board of Directors

ATTEST:

By: _____
Sharon Cook
Secretary, Board of Directors

[SEAL]

DEVELOPER:

Boudreaux 11715 Properties, LLC
a Texas Limited Liability Company

By: Gadyan Management, LLC,
a Texas limited liability company,
its Manager

By: _____
Lawrence Barris
Manager

EXHIBIT "A"

Legal Description of the Property

EXHIBIT "B"

Waiver of Special Appraisal

**WAIVER OF SPECIAL APPRAISAL
FOR THE BENEFIT OF
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

THE STATE OF TEXAS §
 § KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS §

THAT this Waiver of Special Appraisal (this "Waiver") is made and entered into as of _____ day of _____, 2019, for the benefit of HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 (the "District"), a conservation and reclamation district, a body politic and corporate and political subdivision of the State of Texas, created pursuant to Article XVI, Section 59 of the Texas Constitution and operating pursuant to Chapters 49 and 54, Texas Water Code, as amended, and Boudreaux 11715 Properties, LLC., a Texas limited liability company (whether individually or collectively, hereinafter the "Developer"), a landowner within the District, and is made and entered into pursuant to Section 23.20, Texas Property Tax Code.

RECITALS

A. The District is created, organized and exists for the purposes of the construction, acquisition, maintenance and operation of a waterworks and sanitary sewer system for domestic and commercial uses and the construction, acquisition, maintenance and operation of works, improvements, facilities, plants, equipment and appliances helpful or necessary to provide drainage for the District, including the control of harmful excesses of water. The District currently has ad valorem taxing jurisdiction over the property described in Exhibit "A" hereto (the "Property").

B. The purposes of the District in selling unlimited tax and/or revenue bonds (the "Bonds") is to provide, among other things, the funding of water, wastewater and drainage facilities (the "Facilities"). Such Facilities will be of benefit to all of the landowners within the boundaries of the District.

C. The parties acknowledge that (i) a tax base within the District based on the full appraised market value of the Property will be necessary to generate the necessary ad valorem tax revenues needed to service effectively the District's debt to be incurred in connection with the sale of the bonds, and (ii) the election by Owner, its successors or assigns, to claim agricultural, open-space, or timberland exemptions, or inventory valuation or a right to use any other exemption now available or to be made available by any change in Texas law for the reduction of ad valorem tax liability with respect to real property (such exemptions, valuations and rights

being referred to collectively herein as the "Tax Exemptions"), not including any residential homestead exemption, for the Property would be detrimental to such tax base and significantly impair the ability of the District to meet its debt obligations under the Bonds.

D. The Texas Commission on Environmental Quality (the "TCEQ") has required that Owner waive its right to a special appraisal provided by Subchapters C, D, E, F, or G of chapter 23 of the Texas Property Tax Code as to the District, pursuant to authority granted the TCEQ in Section 23.20(e), Texas Property Tax Code.

AGREEMENT

NOW THEREFORE, for and in consideration of the promises recited above, and the mutual promises, covenants, obligations and benefits of this Waiver, the District and Owner hereby contract, agree and covenant as follows:

Section 1. Waiver of Tax Exemptions. Owner, on behalf of itself, its successors and assigns, (i) irrevocably waives its right to claim any of the Tax Exemptions with respect to the Property for a period of twenty-five (25) years beginning with the 2019 tax year or such later time as permitted by Commission rules, as to the taxing jurisdiction of the District, and (ii) authorizes the District to file this Waiver with the Chief Appraiser of the Harris County Appraisal District within ten (10) days of the date hereof, and (iii) covenant that they will not make any claim for a special appraisal except on approval of the District's Board of Directors upon a finding that revocation of this Waiver will not materially impair the contractual, bond, or other debt obligations of the District wholly or partly payable from property taxes to which the Property is subject, and on written authorization of the TCEQ. Owner acknowledges that it may have the right under Article 8 of the Texas Constitution to assert some or all of the Tax Exemptions which it is waiving herein, and agrees that it shall be estopped from claiming such Tax Exemptions for so long as this Waiver shall remain in effect, provided, however, it is expressly acknowledged and agreed that mechanisms for single family residences now available or to be made available by any change in Texas laws for the reduction of ad valorem tax liability with respect to real property, such as exemptions for homesteads, disabled veterans, and elderly homesteads, are not included in the definition of Tax Exemptions and are expressly allowed, to the extent such exemptions would be otherwise available, with respect to the Property.

Section 2. Disclosure of Lienholders. Owner represents and warrants that there are no lienholders on the property it owns that is within the boundaries of the District.

Section 3. Reliance of District on Waiver. The District will rely, in significant part, on the covenants made by Owner hereunder in issuing its Bonds.

Section 4. Enforceability. The covenants and restrictions binding the Property hereunder shall be enforceable only by the District and its successors and assigns.

Section 5. Termination. This Waiver shall continue in full force and effect until such time as the District approves a revocation by official action of its Board of Directors, upon a finding by the Board that the revocation of the Waiver would not materially impair the

contractual, bond, or other debt obligations of the District wholly or partly payable from property taxes to which the Property is subject, and on written authorization of the TCEQ.

Section 6. Severability. Every provision of this Waiver is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, or by act of the Texas Legislature, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable to the maximum extent permitted by law, it being the intent of the parties hereto to give full force and effect to the agreements made hereunder to the maximum extent permitted by law.

Section 7. Headings. The Section headings are included in this instrument for convenience and reference only, and shall not be deemed to affect the substantive provisions of this Waiver.

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IN WITNESS WHEREOF, the party hereto has executed this Waiver as of the date and year set forth on the first page hereof.

Boudreaux 11715 Properties, LLC
a Texas Limited Liability Company

By: Gadyan Management, LLC,
a Texas limited liability company,
its Manager

By: _____
Lawrence Barris
Manager

THE STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the _____ day of _____, 2019,
by Lawrence Barris, Manager of Gadyan Management, LLC, the Manager of Boudreaux 11715
Properties, LLC a Texas limited liability company, on behalf of said entities.

Notary Public, State of Texas

(NOTARY SEAL)

EXHIBIT "C"

ACKNOWLEDGMENT OF NOTICE AND INDEMNITY

The undersigned, Harris County Municipal Utility District No. 368 (the "District") does hereby acknowledge its receipt of notice of that certain * [Collateral] [Partial] Assignment, dated the ____ day of ____ (the "Assignment") by and between _____ ("Assignor") and _____ ("Assignee") [record under Clerk's File No. _____, Real Property Records of _____ County, Texas] [to which this Acknowledgment is attached,] [which Assignment is attached hereto as Exhibit "A",] concerning that certain Utility Development Agreement (the "Agreement") dated _____ by and between _____ and the District.

By its execution of this Acknowledgement the District disclaims any representations as to (i) the validity of the Assignment, and (ii) whether Assignor and/or Assignee have satisfied the terms and conditions set forth in the Agreement which must be satisfied prior to the accrual of the District's obligation to pay any sum or sums due, or to become due, under the Agreement.

Assignor hereby represents and warrants that it has not assigned or attempted to assign any of its right, title, interest, or benefit in and under the Agreement and which is assigned by the Assignment to any other person or entity, other than Assignee. In consideration of the District's execution of this Acknowledgement, **ASSIGNOR HEREBY AGREES TO INDEMNIFY, DEFEND AND HOLD THE DISTRICT HARMLESS FROM AND AGAINST ANY AND ALL LOSS, COST, EXPENSE OR LIABILITY (INCLUDING REASONABLE ATTORNEYS' FEES), ARISING OUT OF OR IN ANY WAY RELATED TO THE (I) ASSIGNOR'S BREACH OF THE FOREGOING REPRESENTATION AND WARRANTY, AND (II) ANY CLAIMS, LAWSUITS, JUDGMENTS, DISPUTES, PROTESTS, CHALLENGES AND SIMILAR MATTERS ASSERTED BY ASSIGNOR AS TO ANY SUM OR SUMS DUE, OR TO BECOME DUE, UNDER THE AGREEMENT.**

Assignee hereby represents and warrants that it will not assign or attempt to assign any of its right, title, interest or benefit in and under the Agreement unless such assignment strictly complies with the terms of such Agreement. **[IN CONSIDERATION OF THE DISTRICT'S EXECUTION OF THE ACKNOWLEDGMENT, ASSIGNEE HEREBY AGREES TO INDEMNIFY, DEFEND AND HOLD THE DISTRICT HARMLESS FROM AND AGAINST ANY AND ALL LOSS, COST, EXPENSE OR LIABILITY (INCLUDING REASONABLE ATTORNEYS' FEES) ARISING OUT OF OR IN ANY WAY RELATED TO ANY CLAIMS, LAWSUITS, JUDGMENTS, DISPUTES, PROTESTS,**

CHALLENGES AND SIMILAR MATTERS ASSERTED BY ANY PERSON OR ENTITY CONCERNING OR RELATING TO (I) ASSIGNEE'S BREACH OF THE FOREGOING REPRESENTATION AND WARRANTY, AND (II) ANY SUM OR SUMS PAID TO ASSIGNEE BUT NOT PROPERLY DUE AND OWING TO ASSIGNEE UNDER THE AGREEMENT AND FURTHER AGREES TO IMMEDIATELY RETURN TO THE DISTRICT ANY SUM OR SUMS PAID BY THE DISTRICT TO ASSIGNEE UPON THE FINAL DETERMINATION BY A COURT OF COMPETENT JURISDICTION THAT ASSIGNEE WAS NOT THE PARTY TO WHICH SUCH SUM OR SUMS WERE DUE AND PAYABLE.

The foregoing indemnities and hold harmless agreements running in favor of the District are specifically intended to cover all costs of the District for any future litigation, including attorney's fees and expenses, other defense costs, and the costs of enforcing the indemnities and hold harmless agreements.

Executed this the _____ day of _____, 2019.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO 368

By: _____
President, Board of Directors

STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this _____ day of _____,
_____, by _____, President of the Board of Directors of HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 368, a political subdivision of the State of Texas,
behalf of said political subdivision.

Given under my hand and seal of office this _____ day of _____, 20__.

Notary Public in and for the State of Texas

(SEAL)

By: _____
ASSIGNOR

STATE OF TEXAS

§
§
§

COUNTY OF _____

This instrument was acknowledged before me on this _____ day of _____,
_____, by _____, of _____ a
_____, on behalf of said _____.

Given under my hand and seal of office this _____ day of _____, 20__.

Notary Public in and for the State of Texas

(SEAL)

By: _____
ASSIGNEE

STATE OF TEXAS

COUNTY OF _____

§
§
§

This instrument was acknowledged before me on this _____ day of _____,
201____, by _____, of _____,
a _____, on behalf of said _____.

Given under my hand and seal of office this _____ day of _____, 20____.

Notary Public in and for the State of Texas

(SEAL)

**PETITION FOR ANNEXATION OF LAND INTO
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

THE STATE OF TEXAS

COUNTY OF HARRIS

§
§
§

TO THE HONORABLE BOARD OF DIRECTORS OF HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 368:

The undersigned, Boudreaux 11705 Properties, LLC, a Texas limited liability company (hereinafter referred to as "Petitioner"), as owner of title to a 9.6 acre tract hereinafter described and acting pursuant to the provisions of Chapter 49, Texas Water Code (the "Code"), particularly Section 49.301 of the Code, together with all amendments and additions thereto, respectfully petitions and requests the Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") to add to and include within the boundaries of the District the property described by metes and bounds in Exhibit "A," attached hereto for all purposes and referred to as the "Property." In support of this Petition, Petitioner represents, covenants and agrees as follows:

I.

The Petitioner is the current owner of the title to the Property as shown by the tax rolls of Harris County, Texas. There are no lien holders on the property.

II.

The Property to be annexed to and included within the District is one (1) tract of land consisting of approximately 9.6 acres, situated wholly within Harris County, Texas. No part of the Property is within the corporate limits of any incorporated city, town or village and no part of the Property is within the extraterritorial jurisdiction (as such term is defined in Chapter 42 of the Local Government Code, Vernon's Texas Codes, as amended) of any city, town or village, except the City of Houston, Texas.

III.

Petitioner alleges that the addition of said Property to the District is feasible and practicable and would be to the advantage of the District, and would be of benefit and to the advantage of the land and all taxable property located thereon. Petitioner further alleges that the District's present and future system and other improvements of the District are sufficient or will be sufficient to supply the land proposed hereby to be added to the District without injuring lands already within the District.

IV.

Petitioner, its successors and assigns, agrees to comply with the terms, conditions and provisions of the District's rules, regulations and policies for the provision of District services, as amended from time to time, to prohibit the use of District services by, through or across the Property to any land or premises outside the Property without the prior written consent of the

District, and to make available to the District, at no cost to the District, such easements and rights-of-way of standard location and size as may be necessary, if any, to permit the District to provide services to or adjacent to the Property.

V.

Petitioner hereby certifies that there are no persons residing within the boundaries of the Property.

VI.

This Petition shall constitute an election on the part of Petitioner, its successors and assigns, for the Property and any improvements which are now or may hereafter be constructed thereon to become liable for all present and future debts and taxes of the District in the same manner and to the same extent as other lands and improvements in the District are liable for the District's debts and taxes, subject to any exemptions to which the Property will be entitled so long as Petitioner is the owner of the Property. Petitioner is aware that elections were held within the District, at which the Board of the District was authorized to issue bonds of the District and to levy a tax on all taxable property in the District to pay principal and interest on said bonds. This Petition shall be considered further an election and authorization by Petitioner, its successors and assigns, for the Board of the District to issue and sell all currently authorized but unissued bonds of the District, for the purposes and upon the terms and conditions such bonds were voted, in one or more installments or series, at a future date or dates, when, in the Board's judgment, such amounts are required for the authorized purposes. Also, Petitioner is aware that an election was held within the District, at which the Board was authorized to levy a maintenance tax on all taxable property in the District to provide for operation and maintenance revenues.

VII.

The Petitioner elects, accepts, assumes and acknowledges the rights, powers, duties and necessity of the District to assess, levy and collect taxes on and against the Property and all taxable property thereon for the payment of any outstanding indebtedness payable in whole or in part from taxation which may be owed, contracted or authorized by the District, or any taxes levied for or in anticipation of the payment of any such outstanding indebtedness which may be owed, contracted or authorized by the District. Petitioner hereby elects, accepts, covenant and agrees that the Property and all improvements thereon shall bear a pro rata share of any and all other obligations heretofore authorized and to be authorized by the District, and such Property shall be taxed equally with all other properties within the District.

VIII.

For and in consideration of the addition of the Property to the District, Petitioner agrees that all agreements, stipulations and covenants stated herein shall become fixed with the Property, shall run with the Property and shall be binding on Petitioner and Petitioner's successors and assigns.

WHEREFORE, Petitioner prays as follows: that this Petition be granted in all respects; that the Property described in Exhibit "A" attached hereto be added to and become a part of said established District as provided by law and particularly by the provisions of Chapter 49 of the Texas Water Code, as amended; that after this Petition is granted that it and the Board's action hereon be filed of record and recorded in the Office of the County Clerk of Harris County, Texas; and that Petitioner has any other relief to which Petitioner may be entitled.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Petitioner has executed this Petition as of the date signed.

Boudreaux 11705 Properties, LLC
a Texas Limited Liability Company

By: _____
Lawrence Barris
Managing Member

STATE OF TEXAS §
 §
COUNTY OF _____ §

Before me on this day, personally appeared Lawrence Barris who proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the instrument was the act of Boudreaux 11705 Properties, LLC, and that he executed the instrument as the act of said limited liability company for the purposes and consideration expressed therein, by proper authority, and in the capacity stated in the instrument.

Given under my hand and seal of office this _____ day of _____, 2019.

Notary Public in and for the State of Texas

(SEAL)

**PETITION FOR CONSENT TO ANNEX LAND TO
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

TO THE HONORABLE MAYOR AND THE CITY COUNCIL OF THE CITY OF HOUSTON,
TEXAS:

The undersigned, HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 a municipal utility district located in Harris County, Texas (the "District"), and Boudreaux 11705 Properties, LLC a Texas limited liability company ("Petitioner"), acting pursuant to the provisions of Chapter 49, Title 4, Texas Water Code, respectfully petition the City Council of the City of Houston, Texas (the "City"), for its written consent to the annexation by the District of one (1) tract composed of 9.6 acres of land described by metes and bounds in Exhibit "A" attached hereto for all purposes (the "Property"). In support of this Petition, the undersigned would show the following:

I.

The District was organized, created and established on December 13, 1973, pursuant to Article XVI, Section 49 of the Constitution of the State of Texas and operating under the provisions of Chapters 49 and 54, Texas Water Code, as amended.

II.

The Property is described by metes and bounds on Exhibit "A" which is attached hereto and incorporated herein for all purposes.

III.

The Petitioner is the current owner of title to the Property which consists of one (1) tract of land totaling 9.6 acres as shown by the tax rolls of Harris County, Texas. There are no lien holders on the property.

IV.

The Petitioner hereby certifies that there are no persons or qualified voters residing within the boundaries of the Property.

V.

The Property sought to be annexed to the District is situated wholly within Harris County, Texas. No part of the Property is within the extraterritorial jurisdiction (as such term is defined in Texas Local Government Code Section 42.001 et. seq., as amended) of any city, town

or village except the City of Houston, Texas. All of the Property may properly be annexed into the District.

VI.

The general nature of the work to be done in the area sought to be annexed to the District is the construction, acquisition, maintenance and operation of a waterworks and sanitary sewer system, for domestic and commercial purposes, and the construction, acquisition, maintenance and operation of a drainage system to gather, conduct, divert, and control local storm water or other local harmful excesses or water in the area.

VII.

There is, for the following reasons, a necessity for the above-described work. The area proposed to be annexed to the District, which will be developed as commercial development, is urban in nature, is within the growing environs of the City of Houston is in close proximity to a populous and developed section of Harris County, and within the immediate future, will experience substantial and sustained residential growth. There is not now available within the area sought to be annexed to the District an adequate waterworks and sanitary sewer system, nor an adequate drainage system, and it is not presently economically feasible for the area sought to be annexed to provide for such systems. Since the health and welfare of the present and future inhabitants or tenants of the area and of the territories adjacent thereto require the construction, acquisition, maintenance and operation of an adequate waterworks and sanitary sewer system and a drainage system, a public necessity exists for the annexation of the aforementioned Property to the District to provide for the purchase, construction, extension, improvement, maintenance and operation of such waterworks and sanitary sewer system and such drainage system, so as to promote the purity and sanitary condition of the State's waters and the public health and welfare of the community.

VIII.

This Petition shall constitute an election on the part of the Petitioner, its successors and assigns, for the aforesaid Property and any improvements which are now or may hereafter be constructed thereon to become liable for all present and future debts of the District in the same manner and to the same extent as other Property and improvements in the District are liable for the District's debts.

IX.

Without limiting the generality of the above, the Petitioner is aware that the District has heretofore issued \$69,290,000 of its total bond authority approved by voters, and the Petitioner hereby agree that the Property and all improvements thereon, presently existing or to be constructed, shall assume its share of all bonds or other obligations of the District and must be taxed equally with all other property within the District. The Petitioner acknowledges, consents to, and affirmatively requests the assumption by the Property to be annexed of a pro rata share of

all obligations of the District, and of the taxes to be levied or hereafter to be levied by the District.

X.

The Petitioner, his successors and assigns, hereby agree that the Property and any improvements existing or to be constructed thereon, shall be liable for their pro rata share of all voted unissued bonds of the District which were authorized or may hereafter be authorized at an election or elections held or to be held within the District, and which may hereafter be issued and sold by the District. This Petition constitutes authorization by the Petitioner, his successors and assigns, for the Board of the District to issue and sell the remaining authorized, unissued bonds for the purposes and upon the terms and conditions such bonds were voted, in one or more issues or series, at a future date or dates when in the Board's judgment such amounts are required for the authorized purposes.

XI.

This Petition shall further be considered the consent and authorization of the Petitioner, its successors and assigns, for all the taxable land described in Exhibit "A", and all improvements now existing or to be constructed thereon, to be taxed uniformly and equally on an ad valorem basis with all other taxable property within the District for: (1) the payment of principal and interest on the District's outstanding bonds; (2) the payment of principal and interest on the District's voted, but unissued bonds; and (3) all other purposes for which the District may lawfully levy taxes, including the maintenance taxes authorized by the voters of the District on April 7, 1979.

XII.

The District and Petitioner agree and hereby covenant that if the requested consent to the annexation of the aforesaid Property to the District is given, the District and Petitioner will abide by the conditions set forth in Exhibit "B" to this Petition.

XIII.

A preliminary investigation has been instituted to determine the cost of the project and it is now estimated by the undersigned, from such information as they have at this time, that the ultimate cost of extending the District's facilities to serve the property sought to be annexed will be approximately \$101,100.

XIV.

The undersigned District and Petitioner request consent to the annexation of the aforesaid Property into the District under the conditions set forth in Exhibit "B," which is attached hereto and incorporated herein for all purposes, until such time as said conditions may be changed by City Ordinance or resolution, either specific or general.

XV.

In the alternative, if the City Council of the City of Houston fails or refuses to grant permission for the inclusion of the Property to the District within 90 days after receipt of this Petition, the Petitioner may petition the City Council to make available to the Property the water or sanitary sewer service contemplated to be provided by the District. If the City Council and the Petitioner fail to execute a mutually agreeable contract providing for the water or sanitary sewer service requested within 120 days of receipt of this Petition, the failure shall constitute authorization for the inclusion of the Property in the District under the provisions of Chapter 54, Texas Water Code.

WHEREFORE, the undersigned respectfully prays that this Petition be heard and granted in all respects and that the City of Houston give its written consent to the District's annexation of the aforesaid Property located in Harris County, Texas; and that the property described in Exhibit "A" be thereafter a component part of Harris County Municipal Utility District No. 368 of Harris County, Texas.

(EXECUTION PAGES FOLLOW)

EXECUTED this _____ day of _____, 2019.

HARRIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 368

By: _____
Roy P. Lackey
President, Board of Directors

ATTEST:

Sharon Cook
Secretary, Board of Directors

(DISTRICT SEAL)

THE STATE OF TEXAS

§

§

COUNTY OF HARRIS

§

This instrument was acknowledged before me on the _____ day of _____, 2019 by Roy P. Lackey, President of the Board of Directors of Harris County Municipal Utility District No. 368 and Sharon Cook, Secretary of the Board of Directors of Harris County Municipal Utility District No. 368.

Notary Public in and for the State of Texas

(NOTARY SEAL)

IN WITNESS WHEREOF, the Petitioner has executed this Petition as of the ____ day of _____, 2019.

Boudreaux 11705 Properties, LLC
a Texas Limited Liability Company

By: _____
Lawrence Barris
Managing Member

STATE OF TEXAS §
 §
COUNTY OF _____ §

Before me on this day, personally appeared Lawrence Barris who proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the instrument was the act of Boudreaux 11705 Properties, LLC, and that he executed the instrument as the act of said limited liability company for the purposes and consideration expressed therein, by proper authority, and in the capacity stated in the instrument.

Given under my hand and seal of office this ____ day of _____, 2019.

Notary Public in and for the State of Texas

(SEAL)

After recording, return to:
Harris County Municipal Utility District No .368
c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019
Attention: Mirna Croon
713.489.8977

EXHIBIT "A"

Legal Description



EXHIBIT "B"

(a) To the extent authorized by law, the District will issue bonds only for the purpose of purchasing and constructing, or purchasing, or constructing under contract with the City of Houston, or otherwise acquiring waterworks systems, sanitary sewer systems, storm sewer systems, drainage facilities, recreational facilities, road facilities, or facilities for fire-fighting services, or parts of such systems or facilities, and to make any and all necessary purchases, construction, improvements, extensions, additions, and repairs thereto, and to purchase or acquire all necessary land, right-of-way, easements, sites, equipment, buildings, plants, structures, and facilities therefor, and to operate and maintain same, and to sell water, sanitary sewer, and other services within or without the boundaries of the District. Such bonds will expressly provide that the District reserves the right to redeem the bonds on any interest-payment date subsequent to the fifteenth (15th) anniversary of the date of issuance without premium and will be sold only after the taking of public bids therefor, and none of such bonds, other than refunding bonds, will be sold for less than 95% of par; provided that the net effective interest rate on bonds so sold, taking into account any discount or premium as well as the interest rate borne by such bonds, will not exceed two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of such bonds is given, and that bids for the bonds will be received not more than forty-five (45) days after notice of sale of the bonds is given. The resolution authorizing the issuance of the District's bonds will contain a provision that any pledge of the revenues from the operation of the District's water and sewer and/or drainage system to the payment of the District's bonds will terminate when and if the City of Houston, Texas, annexes the District, takes over the assets of the District and assumes all of the obligations of the District. No land located within the extraterritorial jurisdiction of the City of Houston will be added or annexed to the District until the City of Houston has given its written consent by resolution or ordinance of the City Council to such addition or annexation.

(b) (1) Before the commencement of any construction within the District, its directors, officers, or developers and landowners will submit to the Director of the Department of Public Works and Engineering of the City of Houston, or to his designated representative, all plans and specifications for the construction of water, sanitary sewer, drainage, and road facilities and related improvements to serve the District and obtain the approval of such plans and specifications therefrom. All water wells, water meters, flushing valves, valves, pipes, and appurtenances thereto, installed or used within the District, will conform exactly to the specifications of the City of Houston. All water service lines and sewer service lines, lift stations, sewage treatment facilities, and road facilities, and appurtenances thereto, installed or used within the District will comply with the City of Houston's standard plans and specifications as amended from time to time. Prior to the construction of any water, sanitary sewer, drainage or road facilities within or by the District, the District or its engineer will give written notice by registered or certified mail to the Director of Public Works and Engineering, stating the date that such construction will be commenced. The construction of the District's water, sanitary sewer, drainage and road facilities will be in accordance with the approved plans and specifications, and with applicable standards and specifications of the City of Houston; and during the progress of the construction and installation of such facilities, the Director of Public Works and Engineering of the City of Houston, or an employee thereof, may make periodic on-the-ground inspections.

(2) Before the expenditure by the District of bond proceeds for the acquisition, construction or development of recreational facilities, the District shall obtain and maintain on file, from a registered landscape architect, registered professional engineer or a design professional allowed by law to engage in architecture, a certification that the recreational facilities, as constructed, conform to the applicable recreational facilities design standards and specifications of the City of Houston's Department of Parks and Recreation and shall submit a copy of the certification and the "as built" plans and specifications for such recreational facilities to the Director of the City of Houston Parks and Recreation Department.

(3) Before the expenditure by the District of bond proceeds for the acquisition, construction or development of facilities for fire-fighting services, the District shall obtain and maintain on file, from a registered architect, registered professional engineer or a design professional allowed by law to engage in facility design and construction, a certification that the facilities for fire-fighting services, as constructed, conform to the applicable fire-fighting facilities design standards and specifications of the City of Houston's Fire Department and shall submit a copy of the certification and the "as built" plans and specifications for such facilities for fire-fighting services to the Chief of the City of Houston Fire Department.

(c) The District will agree to engage a sewage plant operator holding a valid certificate of competency issued under the direction of the Texas Commission on Environmental Quality, or such successor agency as the legislature may establish ("TCEQ"), as required by Section 26.0301, Texas Water Code, as may be amended from time to time. The District will agree to make periodic analyses of its discharge pursuant to the provisions of Order No. 69-1219-1 of the Texas Water Quality Board (predecessor agency to the TCEQ) and further to send copies of all such effluent data to the Department of Public Works and Engineering, City of Houston, as well as to the TCEQ. The District will agree that representatives of the City of Houston may supervise the continued operations of the sewage treatment facility by making periodic inspections thereof.

(d) The District, its board of directors, officers, developers, and/or landowners will not permit the construction, or commit to any development within, the District that will result in a wastewater flow to the serving treatment facility which exceeds that facility's legally permitted average daily flow limitations or the District's allocated capacity therein.

(e) Prior to the sale of any lot or parcel of land, the owner or the developer of the land included within the limits of the District will obtain the approval of the Planning Commission of the City of Houston of a plat which will be duly recorded in the Real Property Records of Harris County, Texas, and otherwise comply with the rules and regulations of the Department of Planning and Development and the Department of Public Works and Engineering of the City of Houston.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

c/o JOHNSON PETROV LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019

September 5, 2019

Lawrence Barris
Manager
Boudreaux 11715 Properties, LLC
9103 Emmott Road, Building 2C
Houston, Texas 77040

RE: Harris County Municipal Utility District NO. 368 the "District") –
Application for Service

Gentlemen:

This will confirm that the Board of Directors of the District met on September 5, 2019 and considered your request for water and wastewater capacity to serve the 9.530-acre tract described (the "Property"), for the purpose of providing service to a proposed commercial development.

The Board of Directors has reserved twenty (20) equivalent single family connections and water capacity and twenty (20) equivalent single family connections in wastewater capacity for service to the Property. However, this confirmation of commitment is subject to the following provisions:

1. This commitment is nontransferable to any person, entity or property without the express written consent of the District. The District shall not unreasonably withhold such consent so long as the provisions in the Utility Commitment Policy and the District's Rate Order are followed. The District shall not unreasonably withhold such consent so long as the transfer is to a subsequent purchaser of the Property proposing to utilize the same utility capacity and land use as approved herein.
2. The capacity to be allocated to you is subject to any restrictions on capacity or service imposed by the State of Texas or any other authority with jurisdiction, including permit limits, on the same basis as other property in the District.
3. If in the District's opinion, the parameters of this Utility Commitment Letter are exceeded, you hereby voluntarily agree to allow the District to

limit future taps and connections to the Property or limit use of water and sewer capacity to the amount of this commitment.

4. All provisions of the District's Rate Order now or hereafter in force or any other order or resolution of the District regulating water and/or sewer service shall govern service to the Property.
5. The District shall have the right to enter the Property at any reasonable time to inspect or test the Property, any connections or any other water or sewer facilities serving the Property.
6. This commitment is based upon and applies only to the facilities, plans and information given to the District at its meeting of September 5, 2019. Any change in use or configuration not approved by the District shall render this commitment void without further notice.
7. In the event any utility facilities are to be dedicated to the District for maintenance, such utilities must be designed and constructed in accordance with all city, county and state requirements and must be approved by the District's Engineer. All such utility facilities shall be located in easements dedicated to the District and shall have a one (1) year warranty against any defect.

At such time as you wish to utilize the capacity allocated to you, you should contact the District's Operator and/or Engineer to ensure full compliance with all District rules, regulations and tap fees.

If this foregoing is in agreement with your understanding of the conditions of the Board's commitment to you, please indicate your agreement by signing the duplicate original of this letter in the space provided below and return same to me at which time this commitment will become effective.

Should you have any questions, please do not hesitate to let me know.

Sincerely,
HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 368

By: _____
Roy P. Lackey, President
Board of Directors

I certify that I have read and understand the above and agree to and accept the terms of this Utility Commitment this _____ day of _____, 2019.

Boudreaux 11715 Properties, LLC
a Texas Limited Liability Company

By: Gadyan Management, LLC,
a Texas limited liability company,
its Manager

By: _____
Lawrence Barris
Manager

EAGLE WATER MANAGEMENT, INC.
SCHEDULE OF RATES FOR
HARRIS COUNTY M.U.D. #368
"EXHIBIT A"

Monthly Base Operating Fee (per connection) \$ 5.20 each

PERSONNEL

HOURLY RATES

Supervisor/Foreman	\$ 52.50 /hr
Licensed Operator	\$ 50.00
Laborer/Helper/Operator Trainee	\$ 37.50
Serviceman	\$ 42.50
Administrative Support (Special Projects)	\$ 40.00

EQUIPMENT RATES

HOURLY RATES

Backhoe Rig (Truck, Trailer & Operator included)	\$ 115.00
½ Ton Truck	No Charge
1 Ton Truck	No Charge
Mechanic w/ crane truck	\$80.00

OTHER RATES

Inspections	
(Sewer; Pre-Con; Post; Customer Service Inspections)	\$40.00 each
Termination Letters	\$5.00 each
Disconnects	\$40.00 each
Reconnections	No Charge
Meter Replacements (3/4 inch)	\$102.00 each
Water Tap & Meter Installation	
(3/4" x 5/8")	\$450.00 each
(1")	\$550.00 each
(Additional \$100.00 for extra long taps/extra deep)	

Commercial Tap Installation: Cost to be based on size of tap, Labor & Materials

Note: When necessary to use subcontractors to perform specialized services, those charges will be marked-up 15% if charges are less than \$2,500. Invoices exceeding \$2,500 will be passed through to the District's bookkeeper or included on our invoice without mark-up.

EAGLE WATER MANAGEMENT, INC.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

MAY 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-30
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	32
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	34-36
GENERAL FUND EXPENDITURES	37
INVESTMENTS	38
TAXES LEVIED AND RECEIVABLE	39-40
LONG-TERM DEBT SERVICE REQUIREMENTS	41-51
CHANGES IN LONG-TERM BOND DEBT	52-53
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	54-57
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	58-59

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Municipal Utility District No. 368
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 368 (the "District"), as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 5, 2019

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

Management's discussion and analysis of Harris County Municipal Utility District No. 368's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended May 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and, if applicable, deferred inflows and outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$1,823,584 as of May 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land, buildings and equipment as well as the water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The following is a comparative analysis of government-wide changes in net position:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

<u>Summary of Changes in the Statement of Net Position</u>			
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 13,898,015	\$ 13,628,407	\$ 269,608
Capital Assets (Net of Accumulated Depreciation)	37,546,500	38,686,231	(1,139,731)
Total Assets	\$ 51,444,515	\$ 52,314,638	\$ (870,123)
Deferred Outflows of Resources	\$ 2,058,662	\$ 2,209,853	\$ (151,191)
Bonds Payable	\$ 53,767,949	\$ 55,675,768	\$ 1,907,819
Other Liabilities	1,558,812	1,592,999	34,187
Total Liabilities	\$ 55,326,761	\$ 57,268,767	\$ 1,942,006
Net Position:			
Net Investment in Capital Assets	\$ (13,936,385)	\$ (14,416,977)	\$ 480,592
Restricted	6,258,487	6,111,116	147,371
Unrestricted	5,854,314	5,561,585	292,729
Total Net Position	\$ (1,823,584)	\$ (2,744,276)	\$ 920,692

The following table provides a summary of the District's operations for the years ended May 31, 2019, and May 31, 2018.

<u>Summary of Changes in the Statement of Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 4,999,029	\$ 4,842,294	\$ 156,735
Charges for Services	4,449,591	4,255,373	194,218
Other Revenues	425,686	395,719	29,967
Total Revenues	\$ 9,874,306	\$ 9,493,386	\$ 380,920
Expenses for Services	8,953,614	10,234,718	1,281,104
Change in Net Position	\$ 920,692	\$ (741,332)	\$ 1,662,024
Net Position, Beginning of Year	(2,744,276)	(2,002,944)	(741,332)
Net Position, End of Year	\$ (1,823,584)	\$ (2,744,276)	\$ 920,692

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of May 31, 2019, were \$12,037,799, an increase of \$326,147 from the prior year. The General Fund fund balance increased by \$324,875, primarily due to tax and service revenues exceeding capital expenditures and the costs of operating and maintaining the District's systems. The Debt Service Fund fund balance increased by \$137,577, primarily due to the structure of the District's outstanding debt. The Capital Projects Fund fund balance decreased by \$136,305. The District used surplus bond proceeds to reimburse the General Fund for costs paid for automatic read meters.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$396,312 more than budgeted revenues primarily due to service, property tax and investment revenues being higher than estimated. Actual expenditures were \$507,860 more than budgeted expenditures as a result of most categories of expenditures exceeding budgeted amounts (see budget to actual comparison for further detail).

CAPITAL ASSETS

Capital assets as of May 31, 2019, total \$37,546,500 (net of accumulated depreciation) and include land, buildings and equipment as well as the water, wastewater and drainage systems. The District purchased and installed various equipment at the District's plants and completed water plant and wastewater treatment plant rehabilitation.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,572,300	\$ 2,572,300	\$
Construction in Progress	359,237	318,995	40,242
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Equipment	314,006	324,851	(10,845)
Water System	10,389,282	10,725,474	(336,192)
Wastewater System	12,207,397	12,676,529	(469,132)
Drainage System	11,704,278	12,068,082	(363,804)
Total Net Capital Assets	<u>\$ 37,546,500</u>	<u>\$ 38,686,231</u>	<u>\$ (1,139,731)</u>

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2019**

LONG-TERM DEBT ACTIVITY

At year end, the District had total bond debt payable of \$52,465,000. The changes in the debt position of the District during the fiscal year ended May 31, 2019, are summarized as follows:

Bond Debt Payable, June 1, 2018	\$ 54,255,000
Less: Bond Principal Paid	<u>1,790,000</u>
Bond Debt Payable, May 31, 2019	<u>\$ 52,465,000</u>

The District carries an underlying rating of "BBB+/A3". The Series 2010 and 2012 refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2013 Refunding, 2013A Refunding, Series 2015 Refunding and Series 2015A Refunding bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 and Series 2017 bonds carry insured ratings of "AA" by virtue of bond insurance issued by Municipal Assurance Corp. The Series 2017 refunding bonds carry an insured rating of "A3" by virtue of bond insurance issued by National Public Finance Guarantee Corporation. Credit enhanced ratings provided through bond insurance policies are subject to change based on the rating of the bond insurance company. The above ratings reflect rating changes, if any, during the fiscal year ended May 31, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Municipal Utility District No. 368, c/o Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 551,549	\$ 282,728
Investments	5,046,278	6,454,385
Receivables:		
Property Taxes	16,492	64,993
Penalty and Interest on Delinquent Taxes		
Service Accounts	345,709	
Accrued Interest	10,038	25,353
Builder Damages	3,939	
City of Houston	50,920	
Due from Other Funds		3,707
Prepaid Costs	98,427	
Water Authority Chloramine Conversion Receivable		
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 6,123,352</u>	<u>\$ 6,831,166</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,123,352</u>	<u>\$ 6,831,166</u>

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 315	\$ 834,592	\$	\$ 834,592
226,087	11,726,750		11,726,750
	81,485		81,485
		17,410	17,410
	345,709		345,709
	35,391		35,391
	3,939		3,939
	50,920		50,920
	3,707	(3,707)	
	98,427	297,871	396,298
		405,521	405,521
		2,572,300	2,572,300
		359,237	359,237
		34,614,963	34,614,963
<u>\$ 226,402</u>	<u>\$ 13,180,920</u>	<u>\$ 38,263,595</u>	<u>\$ 51,444,515</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,058,662</u>	<u>\$ 2,058,662</u>
<u>\$ 226,402</u>	<u>\$ 13,180,920</u>	<u>\$ 40,322,257</u>	<u>\$ 53,503,177</u>

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
MAY 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 384,016	\$
Accrued Interest Payable		
Due to Other Funds	3,707	
Due to Taxpayers		89,206
Security Deposits	584,707	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 972,430</u>	<u>\$ 89,206</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>\$ 16,492</u>	<u>\$ 64,993</u>
FUND BALANCES		
Nonspendable:		
Prepaid Costs	\$ 98,427	\$
Restricted for Authorized Construction		
Restricted for Debt Service		6,676,967
Unassigned	<u>5,036,003</u>	
TOTAL FUND BALANCES	<u>\$ 5,134,430</u>	<u>\$ 6,676,967</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 6,123,352</u>	<u>\$ 6,831,166</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

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Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 384,016	\$	\$ 384,016
		500,883	500,883
	3,707	(3,707)	
	89,206		89,206
	584,707		584,707
		1,870,000	1,870,000
		51,897,949	51,897,949
<u>\$ -0-</u>	<u>\$ 1,061,636</u>	<u>\$ 54,265,125</u>	<u>\$ 55,326,761</u>
<u>\$ -0-</u>	<u>\$ 81,485</u>	<u>\$ (81,485)</u>	<u>\$ -0-</u>
\$	\$ 98,427	\$ (98,427)	\$
226,402	226,402	(226,402)	
	6,676,967	(6,676,967)	
	5,036,003	(5,036,003)	
<u>\$ 226,402</u>	<u>\$ 12,037,799</u>	<u>\$ (12,037,799)</u>	<u>\$ - 0 -</u>
<u>\$ 226,402</u>	<u>\$ 13,180,920</u>		
		\$ (13,936,385)	\$ (13,936,385)
		6,258,487	6,258,487
		5,854,314	5,854,314
		<u>\$ (1,823,584)</u>	<u>\$ (1,823,584)</u>

The accompanying notes to the financial statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2019

Total Fund Balances - Governmental Funds		\$ 12,037,799
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		2,058,662
Prepaid bond insurance is amortized over the repayment period of the bonds in governmental activities.		297,871
Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.		405,521
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		37,546,500
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		98,895
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Bonds Payable	\$ (53,767,949)	
Accrued Interest Payable	<u>(500,883)</u>	<u>(54,268,832)</u>
Total Net Position - Governmental Activities		<u>\$ (1,823,584)</u>

The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MAY 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 1,071,703	\$ 3,929,199
Water Service	883,004	
Wastewater Service	1,924,861	
Water Authority Fees	1,254,498	
Penalty and Interest	86,771	27,831
Connection, Inspection, and Transfer Fees	120,711	
Security Revenues	154,360	
Sales Tax Revenues	172,397	
Water Authority Credits	32,905	
Investment and Miscellaneous Revenues	109,002	113,675
TOTAL REVENUES	<u>\$ 5,810,212</u>	<u>\$ 4,070,705</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 353,509	\$ 8,074
Contracted Services	1,854,820	96,194
Purchased Water Service	974,935	
Utilities	249,368	
Water Authority Assessments	228,751	
Repairs and Maintenance	978,464	
Depreciation		
Other	424,533	7,741
Capital Outlay	420,957	
Debt Service:		
Bond Principal		1,790,000
Bond Interest		2,031,119
TOTAL EXPENDITURES/EXPENSES	<u>\$ 5,485,337</u>	<u>\$ 3,933,128</u>
NET CHANGE IN FUND BALANCES	<u>\$ 324,875</u>	<u>\$ 137,577</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JUNE 1, 2018	4,809,555	6,539,390
FUND BALANCES/NET POSITION - MAY 31, 2019	<u>\$ 5,134,430</u>	<u>\$ 6,676,967</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 5,000,902	\$ (1,873)	\$ 4,999,029
	883,004		883,004
	1,924,861		1,924,861
	1,254,498		1,254,498
	114,602	(2,445)	112,157
	120,711		120,711
	154,360		154,360
	172,397		172,397
	32,905	(8,088)	24,817
5,795	228,472		228,472
<u>\$ 5,795</u>	<u>\$ 9,886,712</u>	<u>\$ (12,406)</u>	<u>\$ 9,874,306</u>
\$	\$ 361,583	\$	\$ 361,583
50	1,951,064		1,951,064
	974,935		974,935
	249,368		249,368
	228,751		228,751
142,050	1,120,514		1,120,514
		1,560,688	1,560,688
	432,274		432,274
	420,957	(420,957)	
	1,790,000	(1,790,000)	
	2,031,119	43,318	2,074,437
<u>\$ 142,100</u>	<u>\$ 9,560,565</u>	<u>\$ (606,951)</u>	<u>\$ 8,953,614</u>
\$ (136,305)	\$ 326,147	\$ (326,147)	\$
		920,692	920,692
362,707	11,711,652	(14,455,928)	(2,744,276)
<u>\$ 226,402</u>	<u>\$ 12,037,799</u>	<u>\$ (13,861,383)</u>	<u>\$ (1,823,584)</u>

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019**

Net Change in Fund Balances - Governmental Funds	\$ 326,147
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,873)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	(2,445)
In the government-wide financial statements, the return of principal portion of the reimbursement for chloramine conversion costs paid in a prior fiscal year reduces the long-term receivable balance.	(8,088)
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(1,560,688)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets owned and maintained by the District are increased by new purchases.	420,957
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	1,790,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	(43,318)
Change in Net Position - Governmental Activities	<u>\$ 920,692</u>

The accompanying notes to the financial
statements are an integral part of this report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

NOTE 1. CREATION OF DISTRICT

Three Lakes Municipal Utility District No. 1 was created by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"), effective December 31, 1973. On October 17, 1997, the Commission (formerly, the Texas Natural Resource Conservation Commission) approved for the District to change its name to Harris County Municipal Utility District No. 368. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on March 11, 1974, and the first bonds were sold on May 5, 1982.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collected within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of May 31, 2019, the General Fund owed the Debt Service Fund \$1,517 for the over transfer of maintenance tax collections and the General Fund owed the Debt Service Fund \$2,190 for costs related to the Series 2018 Refunding Bonds.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. The District chose to early implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and Equipment	3-40
Water, Wastewater and Drainage Systems	10-45

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT

	Refunding Series 2010	Refunding Series 2012	Series 2012
Amounts Outstanding – May 31, 2019	\$ 410,000	\$ 8,525,000	\$ 4,600,000
Interest Rates	4.00%	2.75% - 4.00%	2.50% - 4.10%
Maturity Dates – Serially Beginning/Ending	September 1, 2019	September 1, 2019/2032	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2017*	September 1, 2019 *	September 1, 2019 *
	Refunding Series 2013	Refunding Series 2013A	Series 2014
Amounts Outstanding – May 31, 2019	\$ 6,870,000	\$ 3,690,000	\$2,450,000
Interest Rates	3.00% - 4.00%	3.00% - 4.00%	4.00% - 6.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2033	September 1, 2019/2024	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2020 *	September 1, 2020 *	September 1, 2021 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2012 Refunding term bonds maturing September 1, 2023, and September 1, 2027 are subject to mandatory redemption beginning September 1, 2022, and September 1, 2024, respectively. Series 2012 term bonds maturing September 1, 2024, September 1, 2027, September 1, 2032, September 1, 2036, and September 1, 2039 are subject to mandatory redemption beginning September 1, 2022, September 1, 2025, September 1, 2028, September 1, 2033 and September 1, 2037, respectively. Series 2014 term bonds maturing September 1, 2028, September 1, 2031, September 1, 2034, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2029, September 1, 2032, and September 1, 2035, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

	Refunding Series 2015	Refunding Series 2015A
Amounts Outstanding – May 31, 2019	\$ 7,490,000	\$ 7,535,000
Interest Rates	3.00% - 4.00%	2.00% - 4.00%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2034	September 1, 2019/2036
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2022 *	September 1, 2022 *
	Refunding Series 2017	Series 2017
Amounts Outstanding – May 31, 2019	\$ 9,065,000	\$ 1,830,000
Interest Rates	2.00% - 4.00%	3.00% - 3.375%
Maturity Dates – Serially Beginning/Ending	September 1, 2019/2030	September 1, 2019/2039
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024 *	September 1, 2024 *

* In whole or from time to time in part on the callable date or any date thereafter, at a price equal to the principal amount thereof plus accrued to the date fixed for redemption. Series 2015A term bonds maturing September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032 and September 1, 2034 are subject to mandatory redemption beginning September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2031 and September 1, 2033, respectively. Series 2018 term bonds maturing September 1, 2027, September 1, 2032, and September 1, 2037 are subject to mandatory redemption beginning September 1, 2025, September 1, 2028 and September 1, 2033, respectively.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended May 31, 2019:

	June 1, 2018	Additions	Retirements	May 31, 2019
Bonds Payable	\$ 54,255,000	\$	\$ 1,790,000	\$ 52,465,000
Unamortized Discounts	(251,541)		(13,751)	(237,790)
Unamortized Premiums	1,672,309		131,570	1,540,739
Bonds Payable, Net	<u>\$ 55,675,768</u>	<u>\$ -0-</u>	<u>\$ 1,907,819</u>	<u>\$ 53,767,949</u>
Amount Due Within One Year				\$ 1,870,000
Amount Due After One Year				51,897,949
Bonds Payable, Net				<u>\$ 53,767,949</u>

As of May 31, 2019, the District has authorized but unissued bonds in the amount of \$25,710,000 for utility facilities and refunding bond authorization of one and one-half times the amount of bonds outstanding at any given time. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. As of May 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 1,870,000	\$ 1,971,807	\$ 3,841,807
2021	1,945,000	1,911,281	3,856,281
2022	2,010,000	1,850,381	3,860,381
2023	2,055,000	1,783,413	3,838,413
2024	2,120,000	1,712,576	3,832,576
2025-2029	11,895,000	7,320,723	19,215,723
2030-2034	14,805,000	4,725,903	19,530,903
2035-2039	13,440,000	1,713,781	15,153,781
2040	2,325,000	48,063	2,373,063
	<u>\$ 52,465,000</u>	<u>\$ 23,037,928</u>	<u>\$ 75,502,928</u>

During the year ended May 31, 2019, the District levied an ad valorem debt service tax rate of \$0.55 per \$100 of assessed valuation, which resulted in a tax levy of \$3,939,487 on the adjusted taxable valuation of \$716,270,214 for the 2018 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 3. LONG-TERM DEBT (Continued)

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on every fifth-year anniversary date of each issue.

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$4,194,592 and the bank balance was \$4,309,970. The District was not exposed to custodial credit risk at year-end.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at May 31, 2019, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 551,549	\$ 1,200,000	\$ 1,751,549
DEBT SERVICE FUND	282,728	2,160,000	2,442,728
CAPITAL PROJECTS FUND	315		315
TOTAL DEPOSITS	<u>\$ 834,592</u>	<u>\$ 3,360,000</u>	<u>\$ 4,194,592</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

The District records its investments in certificates of deposit at acquisition cost. As of May 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 3,846,278	\$ 3,846,278
Certificates of Deposit	1,200,000	1,200,000
<u>DEBT SERVICE FUND</u>		
Texas CLASS	4,294,385	4,294,385
Certificates of Deposit	2,160,000	2,160,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	226,087	226,087
TOTAL INVESTMENTS	<u>\$ 11,726,750</u>	<u>\$ 11,726,750</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At May 31, 2019, the District's investments in TexPool and Texas CLASS were rated AAAM by Standard and Poor's. The District manages credit risk by typically investing in certificates of deposit with balances below FDIC coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexPool and Texas CLASS to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended May 31, 2019 is as follows:

	June 1, 2018	Increases	Decreases	May 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,572,300	\$	\$	\$ 2,572,300
Construction in Progress	318,995	420,957	380,715	359,237
Total Capital Assets Not Being Depreciated	\$ 2,891,295	\$ 420,957	\$ 380,715	\$ 2,931,537
Capital Assets Subject to Depreciation				
Building and Equipment	\$ 441,673	\$	\$	\$ 441,673
Water System	17,989,695	285,689		18,275,384
Wastewater System	20,811,817	95,026		20,906,843
Drainage System	17,176,937			17,176,937
Total Capital Assets Subject to Depreciation	\$ 56,420,122	\$ 380,715	\$ - 0 -	\$ 56,800,837
Less Accumulated Depreciation				
Building and Equipment	\$ 116,822	\$ 10,845	\$	\$ 127,667
Water System	7,264,221	621,881		7,886,102
Wastewater System	8,135,288	564,158		8,699,446
Drainage System	5,108,855	363,804		5,472,659
Total Accumulated Depreciation	\$ 20,625,186	\$ 1,560,688	\$ - 0 -	\$ 22,185,874
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 35,794,936	\$ (1,179,973)	\$ - 0 -	\$ 34,614,963
Total Capital Assets, Net of Accumulated Depreciation	\$ 38,686,231	\$ (759,016)	\$ 380,715	\$ 37,546,500

NOTE 7. MAINTENANCE TAX

At an election held on April 7, 1979, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended May 31, 2019, the District levied an ad valorem maintenance tax rate of \$0.15 per \$100 of assessed valuation, which resulted in a tax levy of \$1,074,406 on the adjusted taxable valuation of \$716,270,214 for the 2018 tax year. This maintenance tax is to be used by the General Fund to pay the costs of operating the District's waterworks and sanitary sewer system or any other lawful purpose.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 8. EMERGENCY WATER SUPPLY AGREEMENT

On October 19, 1982, the District and Northwest Harris County Municipal Utility District No. 15 entered into an emergency water supply agreement. The agreement was amended on March 3, 1997, November 29, 2005, and March 15, 2012. The cost of the interconnect was shared equally by both districts. The charge for service to either district in effect per the most recent amendment to the contract is \$1.00 per 1,000 gallons of water plus any regulatory agency fees, including the pumpage fee imposed by the North Harris County Regional Water Authority. At such time as one or both districts convert to surface water, the rate will be the cost of surface water plus ten percent. The term of the contract is 40 years.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters from which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY

The District is located within the boundaries of the North Harris County Regional Water Authority (the "Authority"). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the "Act"), as passed by the 75th Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements.

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. This fee enables the Authority to fulfill its purpose and regulatory functions. The current pumpage fee is \$3.85 per 1,000 gallons of water pumped from each well. The District recorded expenditures of \$228,751 for pumpage fees assessed during the current fiscal year. The District also purchased surface water from the Authority at a total cost of \$974,935 during the current fiscal year. The current surface water rate is \$4.30 per 1,000 gallons.

The Authority required the District to convert its water systems to chloramine disinfection for as long as it is connected to the Authority's system. The District has completed its chloramine conversion system. The District's reimbursable cost of this system was \$452,933. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the July 2012 Authority billing. Total credits

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 10. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
(Continued)

received in the current fiscal year were \$32,905. Of this amount, \$8,088 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,574	\$ 24,331	\$ 32,905
2021	9,088	23,817	32,905
2022	9,633	23,272	32,905
2023	10,212	22,694	32,906
2024	10,824	22,081	32,905
2025-2029	64,678	99,847	164,525
2030-2034	86,554	77,972	164,526
2035-2039	115,828	48,697	164,525
2040-2043	90,130	11,330	101,460
	<u>\$ 405,521</u>	<u>\$ 354,041</u>	<u>\$ 759,562</u>

NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT

Effective April 24, 2007, the District entered into a Strategic Partnership Agreement with the City of Houston, Texas. This agreement was amended on November 22, 2013. This agreement has been subsequently amended. The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the "Tract" for the limited purposes of applying the City's Planning, Zoning, Health, and Safety Ordinances within the Tract within the boundaries of the District. The District will continue to develop, to own, and to operate and maintain a water, wastewater, and drainage system in the District.

The City imposes a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City pays the District one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City is required to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office. During the fiscal year ended May 31, 2019, the District received sales tax revenues of \$172,397. The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is 30 years from the effective date of the agreement.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

NOTE 12. UNREIMBURSED COSTS

The District has executed development financing agreements which, from time to time, call for the developers to fund costs associated with water, sewer and drainage facilities. Reimbursement to the developers will come from proceeds of future bond sales, subject to the approval of the Commission, or available surplus funds.

NOTE 13. SUBSEQUENT EVENT - BOND SALE

On August 1, 2019, subsequent to year-end, the District closed on the sale of its \$11,725,000 Series 2019 Unlimited Tax Refunding Bonds. Proceeds of the bonds, plus \$195,000 in available District funds, were used to refund \$4,400,000 of the Series 2012 Bonds with interest rates of 3.30% to 4.10%, maturity dates of 2023-2039, and a redemption date of September 1, 2019, and to refund \$6,830,000 of the Series 2012 Refunding Bonds with interest rates of 3.50% to 4.00%, maturity dates of 2024-2032, and a redemption date of September 1, 2019. The refunding resulted in gross debt service savings of \$1,024,038 and net present value savings of \$735,757.

DRAFT SUBJECT TO CHANGE

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2019

DRAFT SUBJECT TO CHANGE

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,010,000	\$ 1,071,703	\$ 61,703
Water Service	895,000	883,004	(11,996)
Wastewater Service	1,800,000	1,924,861	124,861
Water Authority Fees	1,220,000	1,254,498	34,498
Penalty and Interest	68,000	86,771	18,771
Connection, Inspection, and Transfer Fees	114,500	120,711	6,211
Security Revenues	130,000	154,360	24,360
Sales Tax Revenues	140,000	172,397	32,397
Investment and Miscellaneous Revenues	36,400	141,907	105,507
TOTAL REVENUES	<u>\$ 5,413,900</u>	<u>\$ 5,810,212</u>	<u>\$ 396,312</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 220,800	\$ 353,509	\$ (132,709)
Contracted Services	1,770,460	1,854,820	(84,360)
Utilities	209,499	249,368	(39,869)
Water Authority Costs	1,097,500	1,203,686	(106,186)
Repairs and Maintenance	802,158	978,464	(176,306)
Other	532,060	424,533	107,527
Capital Outlay	345,000	420,957	(75,957)
TOTAL EXPENDITURES	<u>\$ 4,977,477</u>	<u>\$ 5,485,337</u>	<u>\$ (507,860)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 436,423</u>	<u>\$ 324,875</u>	<u>\$ (111,548)</u>
FUND BALANCE - JUNE 1, 2018	<u>4,809,555</u>	<u>4,809,555</u>	
FUND BALANCE - MAY 31, 2019	<u>\$ 5,245,978</u>	<u>\$ 5,134,430</u>	<u>\$ (111,548)</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2019

DRAFT SUBJECT TO CHANGE

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

2. RETAIL SERVICE PROVIDERS

Based on the rate order effective February 1, 2018.

District employs winter averaging for wastewater usage?

Total monthly charges per 10,000 gallons usage: Water: \$23.75 Wastewater: \$41.61 Surcharge: \$46.00

- 34 -

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	3,825	3,825	x 1.0	3,825
1"	14	14	x 2.5	35
1½"	4	4	x 5.0	20
2"	31	31	x 8.0	248
3"			x 15.0	
4"	6	6	x 25.0	150
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	3,880	3,880		4,278
Total Wastewater Connections	3,798	3,798	x 1.0	3,798

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system: 64,639,000 Water Accountability Ratio: 94%
 (Gallons billed/Gallons pumped and purchased)

Gallons billed to customers: 301,762,000

Gallons purchased: 257,636,000 From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2019

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes ☐ No ☒

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely ☐ Partly ☐ Not at all ☒

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ in which District is located:

City of Houston, Texas.

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2019

PROFESSIONAL FEES:	
Auditing	\$ 21,000
Engineering	212,226
Legal	120,283
TOTAL PROFESSIONAL FEES	<u>\$ 353,509</u>
PURCHASED WATER SERVICE	<u>\$ 974,935</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 20,996
Bookkeeping	40,200
Operations and Billing	243,923
Security	823,146
Waste Disposal/Recycling	726,555
TOTAL CONTRACTED SERVICES	<u>\$ 1,854,820</u>
UTILITIES	<u>\$ 249,368</u>
REPAIRS AND MAINTENANCE	<u>\$ 978,464</u>
ADMINISTRATIVE EXPENDITURES:	
Bank Charges	\$ 11,856
Director Fees, Including Payroll Taxes	26,828
Insurance	37,503
Office Supplies and Postage	71,184
Travel and Meetings	8,607
Website Hosting	6,537
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 162,515</u>
CAPITAL OUTLAY	<u>\$ 420,957</u>
OTHER EXPENDITURES:	
Chemicals	\$ 82,884
Laboratory Fees	6,018
Permit Fees	13,308
Connection, Inspection, and Reconnection Fees	69,070
Water Authority Assessments	228,751
Regulatory Assessment	13,993
Sludge Hauling	57,965
Other	18,780
TOTAL OTHER EXPENDITURES	<u>\$ 490,769</u>
TOTAL EXPENDITURES	<u>\$ 5,485,337</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

INVESTMENTS

MAY 31, 2019

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
GENERAL FUND					
Texas CLASS	XXXX0001	Varies	Daily	\$ 3,846,278	\$
Certificate of Deposit	XXXX0627	2.65%	05/27/20	240,000	70
Certificate of Deposit	XXXX0407	2.60%	03/06/20	240,000	1,435
Certificate of Deposit	XXXX5618	2.45%	11/28/19	240,000	2,964
Certificate of Deposit	XXXX0254	2.42%	11/28/19	240,000	2,928
Certificate of Deposit	XXXX2990	2.75%	01/05/20	240,000	2,641
TOTAL GENERAL FUND				\$ 5,046,278	\$ 10,038
DEBT SERVICE FUND					
Texas CLASS	XXXX0002	Varies	Daily	\$ 4,294,385	\$
Certificate of Deposit	XXXX6068	2.45%	08/14/19	240,000	4,672
Certificate of Deposit	XXXX0320	2.75%	02/13/20	240,000	1,935
Certificate of Deposit	XXXX3888	2.40%	08/16/19	240,000	4,545
Certificate of Deposit	XXXX2217	2.65%	02/08/20	240,000	1,951
Certificate of Deposit	XXXX5351	2.70%	02/11/20	240,000	1,935
Certificate of Deposit	XXXX1950	2.71%	02/11/20	240,000	1,942
Certificate of Deposit	XXXX3234	2.60%	02/09/20	240,000	1,898
Certificate of Deposit	XXXX0105	2.40%	08/15/19	240,000	4,560
Certificate of Deposit	XXXX2225	2.60%	02/08/20	240,000	1,915
TOTAL DEBT SERVICE FUND				\$ 6,454,385	\$ 25,353
CAPITAL PROJECTS FUND					
TexPool	XXXX0007	Varies	Daily	\$ 129,544	\$
TexPool	XXXX0010	Varies	Daily	96,543	
TOTAL CAPITAL PROJECTS FUND				\$ 226,087	\$ - 0 -
TOTAL - ALL FUNDS				\$ 11,726,750	\$ 35,391

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -				
JUNE 1, 2018	\$	16,810	\$	66,548
Adjustments to Beginning				
Balance		<u>(3,021)</u>		<u>(11,843)</u>
	\$	13,789	\$	54,705
Original 2018 Tax Levy	\$	983,853	\$	3,607,461
Adjustment to 2018 Tax Levy		<u>90,553</u>		<u>332,026</u>
		1,074,406		3,939,487
TOTAL TO BE				
ACCOUNTED FOR		\$ 1,088,195		\$ 3,994,192
TAX COLLECTIONS:				
Prior Years	\$	7,755	\$	28,058
Current Year		<u>1,063,948</u>		<u>3,901,141</u>
		1,071,703		3,929,199
TAXES RECEIVABLE -				
MAY 31, 2019		<u>\$ 16,492</u>		<u>\$ 64,993</u>
TAXES RECEIVABLE BY				
YEAR:				
2018	\$	10,458	\$	38,346
2017		1,730		6,344
2016		1,182		4,898
2015		909		3,878
2014		729		3,498
2013		538		2,914
2012		464		2,516
2011		225		1,149
2010		118		664
2009		<u>139</u>		<u>786</u>
TOTAL	\$	<u>16,492</u>	\$	<u>64,993</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2019

	2018	2017	2016	2015
PROPERTY VALUATIONS:				
Land	\$ 153,046,796	\$ 148,919,490	\$ 143,249,593	\$ 136,623,005
Improvements	599,813,489	590,740,825	573,532,231	525,169,482
Personal Property	32,598,878	27,727,162	27,706,479	23,845,810
Exemptions	(69,188,949)	(75,177,748)	(89,905,121)	(98,126,919)
TOTAL PROPERTY VALUATIONS	<u>\$ 716,270,214</u>	<u>\$ 692,209,729</u>	<u>\$ 654,583,182</u>	<u>\$ 587,511,378</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.55	\$ 0.55	\$ 0.58	\$ 0.64
Maintenance	<u>0.15</u>	<u>0.15</u>	<u>0.14</u>	<u>0.15</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.72</u>	<u>\$ 0.79</u>
ADJUSTED TAX LEVY*	<u>\$ 5,013,893</u>	<u>\$ 4,845,470</u>	<u>\$ 4,712,999</u>	<u>\$ 4,641,340</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.03 %</u>	<u>99.83 %</u>	<u>99.87 %</u>	<u>99.90 %</u>

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax — Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on April 7, 1979.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2010				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 410,000	\$ 8,200	\$	418,200
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
	<u>\$ 410,000</u>	<u>\$ 8,200</u>	<u>\$</u>	<u>418,200</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2012				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 420,000	\$ 324,325	\$	744,325
2021	430,000	307,325		737,325
2022	455,000	289,625		744,625
2023	195,000	277,844		472,844
2024	195,000	272,481		467,481
2025	35,000	269,188		304,188
2026	35,000	267,962		302,962
2027	35,000	266,738		301,738
2028	575,000	256,062		831,062
2029	595,000	234,100		829,100
2030	620,000	209,800		829,800
2031	865,000	180,100		1,045,100
2032	1,995,000	122,900		2,117,900
2033	2,075,000	41,500		2,116,500
2034				
2035				
2036				
2037				
2038				
2039				
2040				
	<u>\$ 8,525,000</u>	<u>\$ 3,319,950</u>	<u>\$</u>	<u>11,844,950</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 2				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 50,000	\$ 183,425	\$	233,425
2021	50,000	182,125		232,125
2022	50,000	180,700		230,700
2023	50,000	179,125		229,125
2024	50,000	177,475		227,475
2025	50,000	175,825		225,825
2026	50,000	174,088		224,088
2027	50,000	172,262		222,262
2028	50,000	170,438		220,438
2029	50,000	168,525		218,525
2030	50,000	166,525		216,525
2031	75,000	164,025		239,025
2032	75,000	161,025		236,025
2033	75,000	158,025		233,025
2034	75,000	155,025		230,025
2035	75,000	152,025		227,025
2036	75,000	149,025		224,025
2037	75,000	146,025		221,025
2038	1,100,000	121,975		1,221,975
2039	1,175,000	75,337		1,250,337
2040	1,250,000	25,625		1,275,625
	<u>\$ 4,600,000</u>	<u>\$ 3,238,625</u>	<u>\$</u>	<u>7,838,625</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2013				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 15,000	\$ 264,000	\$	279,000
2021	20,000	263,475		283,475
2022	20,000	262,875		282,875
2023	295,000	257,412		552,412
2024	315,000	246,738		561,738
2025	325,000	235,537		560,537
2026	340,000	223,900		563,900
2027	360,000	211,650		571,650
2028	370,000	198,875		568,875
2029	395,000	184,500		579,500
2030	410,000	168,400		578,400
2031	430,000	151,600		581,600
2032	450,000	134,000		584,000
2033	475,000	115,500		590,500
2034	2,650,000	53,000		2,703,000
2035				
2036				
2037				
2038				
2039				
2040				
	<u>\$ 6,870,000</u>	<u>\$ 2,971,462</u>	<u>\$</u>	<u>9,841,462</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2013 A				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 580,000	\$ 121,150	\$	701,150
2021	590,000	103,600		693,600
2022	605,000	85,675		690,675
2023	620,000	64,200		684,200
2024	635,000	39,100		674,100
2025	660,000	13,200		673,200
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
	<u>\$ 3,690,000</u>	<u>\$ 426,925</u>	<u>\$</u>	<u>4,116,925</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 4				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 25,000	\$ 114,188	\$	139,188
2021	25,000	112,687		137,687
2022	25,000	111,187		136,187
2023	25,000	109,688		134,688
2024	25,000	108,188		133,188
2025	25,000	106,813		131,813
2026	25,000	105,687		130,687
2027	25,000	104,688		129,688
2028	50,000	103,188		153,188
2029	50,000	101,187		151,187
2030	50,000	99,125		149,125
2031	50,000	97,000		147,000
2032	50,000	94,875		144,875
2033	50,000	92,687		142,687
2034	50,000	90,437		140,437
2035	50,000	88,187		138,187
2036	50,000	85,906		135,906
2037	50,000	83,594		133,594
2038	550,000	69,719		619,719
2039	575,000	43,344		618,344
2040	625,000	14,844		639,844
	<u>\$ 2,450,000</u>	<u>\$ 1,937,219</u>	<u>\$</u>	<u>4,387,219</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2015				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 225,000	\$ 275,725	\$	500,725
2021	235,000	268,825		503,825
2022	245,000	261,625		506,625
2023	245,000	254,275		499,275
2024	535,000	242,575		777,575
2025	565,000	226,075		791,075
2026	220,000	213,200		433,200
2027	225,000	204,300		429,300
2028	235,000	195,100		430,100
2029	240,000	185,600		425,600
2030	250,000	175,800		425,800
2031	265,000	165,500		430,500
2032	270,000	154,800		424,800
2033	280,000	143,800		423,800
2034	325,000	131,700		456,700
2035	3,130,000	62,600		3,192,600
2036				
2037				
2038				
2039				
2040				
	<u>\$ 7,490,000</u>	<u>\$ 3,161,500</u>	<u>\$</u>	<u>10,651,500</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2015 A				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$ 145,000	\$ 282,331	\$	427,331
2021	140,000	279,481		419,481
2022	140,000	276,681		416,681
2023	140,000	273,181		413,181
2024	135,000	269,056		404,056
2025	135,000	265,007		400,007
2026	135,000	260,957		395,957
2027	135,000	256,907		391,907
2028	135,000	252,772		387,772
2029	130,000	248,631		378,631
2030	130,000	244,000		374,000
2031	130,000	238,800		368,800
2032	135,000	233,500		368,500
2033	130,000	228,200		358,200
2034	130,000	223,000		353,000
2035	130,000	217,800		347,800
2036	2,610,000	163,000		2,773,000
2037	2,770,000	55,400		2,825,400
2038				
2039				
2040				
	<u>\$ 7,535,000</u>	<u>\$ 4,268,704</u>	<u>\$</u>	<u>11,803,704</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

REFUNDING SERIES - 2017				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$	\$	339,250	\$ 339,250
2021	425,000	335,000		760,000
2022	445,000	324,075		769,075
2023	460,000	310,500		770,500
2024	205,000	300,525		505,525
2025	375,000	291,825		666,825
2026	1,460,000	257,000		1,717,000
2027	1,515,000	197,500		1,712,500
2028	1,040,000	146,400		1,186,400
2029	1,075,000	104,100		1,179,100
2030	1,120,000	60,200		1,180,200
2031	945,000	18,900		963,900
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
	<u>\$ 9,065,000</u>	<u>\$ 2,685,275</u>	<u>\$</u>	<u>11,750,275</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

S E R I E S - 2 0 1 7				
Due During Fiscal Years Ending May 31	Principal Due September 1	Interest Due September 1/ March 1	Total	
2020	\$	\$	59,213	\$ 59,213
2021	30,000	58,763		88,763
2022	25,000	57,938		82,938
2023	25,000	57,188		82,188
2024	25,000	56,438		81,438
2025	25,000	55,688		80,688
2026	25,000	54,937		79,937
2027	25,000	54,187		79,187
2028	25,000	53,437		78,437
2029	25,000	52,687		77,687
2030	25,000	51,937		76,937
2031	25,000	51,187		76,187
2032	25,000	50,437		75,437
2033	25,000	49,687		74,687
2034	25,000	48,906		73,906
2035	25,000	48,094		73,094
2036	50,000	46,875		96,875
2037	50,000	45,250		95,250
2038	450,000	37,125		487,125
2039	450,000	22,500		472,500
2040	450,000	7,594		457,594
	<u>\$ 1,830,000</u>	<u>\$ 1,020,068</u>	<u>\$</u>	<u>2,850,068</u>

See accompanying independent auditor's report.

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
LONG-TERM DEBT SERVICE REQUIREMENTS
MAY 31, 2019

ANNUAL REQUIREMENTS FOR ALL SERIES			
Due During Fiscal Years Ending May 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2020	\$ 1,870,000	\$ 1,971,807	\$ 3,841,807
2021	1,945,000	1,911,281	3,856,281
2022	2,010,000	1,850,381	3,860,381
2023	2,055,000	1,783,413	3,838,413
2024	2,120,000	1,712,576	3,832,576
2025	2,195,000	1,639,158	3,834,158
2026	2,290,000	1,557,731	3,847,731
2027	2,370,000	1,468,232	3,838,232
2028	2,480,000	1,376,272	3,856,272
2029	2,560,000	1,279,330	3,839,330
2030	2,655,000	1,175,787	3,830,787
2031	2,785,000	1,067,112	3,852,112
2032	3,000,000	951,537	3,951,537
2033	3,110,000	829,399	3,939,399
2034	3,255,000	702,068	3,957,068
2035	3,410,000	568,706	3,978,706
2036	2,785,000	444,806	3,229,806
2037	2,945,000	330,269	3,275,269
2038	2,100,000	228,819	2,328,819
2039	2,200,000	141,181	2,341,181
2040	2,325,000	48,063	2,373,063
	<u>\$ 52,465,000</u>	<u>\$ 23,037,928</u>	<u>\$ 75,502,928</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED MAY 31, 2019

Description	Original Bonds Issued	Bonds Outstanding June 1, 2018
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2010	\$ 12,835,000	\$ 800,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2012	8,995,000	8,795,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2012	4,710,000	4,625,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013	8,205,000	7,015,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2013A	5,930,000	4,250,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2014	2,520,000	2,475,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015	8,145,000	7,720,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2015A	7,770,000	7,680,000
Harris County Municipal Utility District No. 368 Unlimited Tax Refunding Bonds - Series 2017	9,150,000	9,065,000
Harris County Municipal Utility District No. 368 Unlimited Tax Bonds - Series 2017	1,830,000	1,830,000
TOTAL	\$ 70,090,000	\$ 54,255,000
Bond Authority:	Tax Bonds	
Amount Authorized by Voters	\$ 95,000,000	
Amount Issued	69,290,000	
Remaining to be Issued	\$ 25,710,000	

Note: Refunding bonds authorization equals one and one-half times the amount of bonds outstanding at any given time.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding May 31, 2019	Paying Agent
	Principal	Interest		
\$	\$ 390,000	\$ 23,225	\$ 410,000	Wells Fargo Bank N.A. Dallas, TX
	270,000	338,125	8,525,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	184,338	4,600,000	Wells Fargo Bank N.A. Dallas, TX
	145,000	266,400	6,870,000	Wells Fargo Bank N.A. Dallas, TX
	560,000	138,250	3,690,000	Wells Fargo Bank N.A. Dallas, TX
	25,000	115,687	2,450,000	Wells Fargo Bank N.A. Dallas, TX
	230,000	281,400	7,490,000	Wells Fargo Bank N.A. Minneapolis, MN
	145,000	285,231	7,535,000	Wells Fargo Bank N.A. Minneapolis, MN
		339,250	9,065,000	Wells Fargo Bank N.A. Minneapolis, MN
		59,213	1,830,000	BONY Mellon Trust Co. N.A. Dallas, TX
\$ - 0 -	\$ 1,790,000	\$ 2,031,119	\$ 52,465,000	

Debt Service Fund cash and investment balances as of May 31, 2019: \$ 6,737,113

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 3,595,378

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 1,071,703	\$ 1,034,439	\$ 913,196
Water Service	883,004	899,602	904,918
Wastewater Service	1,924,861	1,908,597	1,700,235
Water Authority Fees	1,254,498	1,139,788	1,015,544
Penalty and Interest	86,771	76,943	69,655
Connection, Inspection, and Transfer Fees	120,711	123,869	126,672
Security Revenues	154,360	155,230	99,309
Sales Tax Revenues	172,397	172,144	116,692
Water Authority Credits	32,905	32,905	32,905
Investment and Miscellaneous Revenues	109,002	49,131	45,299
TOTAL REVENUES	<u>\$ 5,810,212</u>	<u>\$ 5,592,648</u>	<u>\$ 5,024,425</u>
EXPENDITURES			
Professional Fees	\$ 353,509	\$ 288,540	\$ 287,737
Contracted Services	1,854,820	1,872,340	1,821,612
Purchased Water	974,935	1,011,334	929,593
Utilities	249,368	225,031	205,611
Water Authority Assessments	228,751	82,810	65,815
Repairs and Maintenance	978,464	1,048,726	926,027
Other	424,533	492,383	493,164
Capital Outlay	420,957	323,615	1,766,303
TOTAL EXPENDITURES	<u>\$ 5,485,337</u>	<u>\$ 5,344,779</u>	<u>\$ 6,495,862</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 324,875</u>	<u>\$ 247,869</u>	<u>\$ (1,471,437)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ 1,052,706</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 324,875</u>	<u>\$ 1,300,575</u>	<u>\$ (1,471,437)</u>
BEGINNING FUND BALANCE	<u>4,809,555</u>	<u>3,508,980</u>	<u>4,980,417</u>
ENDING FUND BALANCE	<u>\$ 5,134,430</u>	<u>\$ 4,809,555</u>	<u>\$ 3,508,980</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 881,334	\$ 769,604	18.4 %	18.5 %	18.3 %	18.4 %	16.7 %
897,916	862,680	15.1	16.0	17.9	18.5	18.6
1,698,150	1,653,455	33.1	34.1	33.8	35.2	35.7
880,009	812,598	21.6	20.4	20.2	18.2	17.5
71,092	64,844	1.5	1.4	1.4	1.5	1.4
116,338	153,300	2.1	0.8	1.5	1.2	1.9
72,790	94,871	2.7	2.8	2.0	1.5	2.0
134,147	129,581	3.0	3.1	2.3	2.8	2.8
32,905	32,905	0.6	0.6	0.7	0.7	0.7
39,066	59,913	1.9	2.3	1.9	2.0	2.7
<u>\$ 4,823,747</u>	<u>\$ 4,633,751</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 354,832	\$ 238,206	6.1 %	5.2 %	5.7 %	7.4 %	5.1 %
1,620,234	1,511,074	31.9	33.5	36.3	33.6	32.6
699,081	725,418	16.8	18.1	18.5	14.5	15.7
224,524	212,729	4.3	4.0	4.1	4.7	4.6
118,404	51,520	3.9	1.5	1.3	2.5	1.1
876,126	913,176	16.8	18.8	18.4	18.2	19.7
510,536	588,874	7.3	8.8	9.8	10.6	12.7
457,826	139,770	7.2	5.8	35.2	9.5	3.0
<u>\$ 4,861,563</u>	<u>\$ 4,380,767</u>	<u>94.3 %</u>	<u>95.7 %</u>	<u>129.3 %</u>	<u>101.0 %</u>	<u>94.5 %</u>
<u>\$ (37,816)</u>	<u>\$ 252,984</u>	<u>5.7 %</u>	<u>4.3 %</u>	<u>(29.3) %</u>	<u>(1.0) %</u>	<u>5.5 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
<u>\$ (37,816)</u>	<u>\$ 252,984</u>					
<u>5,018,233</u>	<u>4,765,249</u>					
<u>\$ 4,980,417</u>	<u>\$ 5,018,233</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – FIVE YEARS

	Amounts		
	2019	2018	2017
REVENUES			
Property Taxes	\$ 3,929,199	\$ 3,796,780	\$ 3,785,053
Penalty and Interest	27,831	25,374	28,398
Investment and Miscellaneous Revenues	113,675	59,686	27,647
TOTAL REVENUES	<u>\$ 4,070,705</u>	<u>\$ 3,881,840</u>	<u>\$ 3,841,098</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 103,684	\$ 101,369	\$ 97,785
Debt Service Principal	1,790,000	1,820,000	1,690,000
Debt Service Interest and Fees	2,039,444	1,972,942	2,135,606
Bond Issuance Costs		362,397	
Payment to Escrow Agent		5,000	
TOTAL EXPENDITURES	<u>\$ 3,933,128</u>	<u>\$ 4,261,708</u>	<u>\$ 3,923,391</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 137,577</u>	<u>\$ (379,868)</u>	<u>\$ (82,293)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Refunding Bonds	\$	\$ 9,150,000	\$
Transfer to Refunded Bond Escrow Agent		(9,518,135)	
Bond Premium		735,539	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ 367,404</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ 137,577</u>	<u>\$ (12,464)</u>	<u>\$ (82,293)</u>
BEGINNING FUND BALANCE	<u>6,539,390</u>	<u>6,551,854</u>	<u>6,634,147</u>
ENDING FUND BALANCE	<u>\$ 6,676,967</u>	<u>\$ 6,539,390</u>	<u>\$ 6,551,854</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,880</u>	<u>3,869</u>	<u>3,835</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,798</u>	<u>3,788</u>	<u>3,754</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2016	2015	2019	2018	2017	2016	2015
\$ 3,764,990	\$ 3,698,978	96.5 %	97.8 %	98.6 %	98.8 %	98.9 %
28,812	29,668	0.7	0.7	0.7	0.8	0.8
17,142	12,897	2.8	1.5	0.7	0.4	0.3
<u>\$ 3,810,944</u>	<u>\$ 3,741,543</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 96,666	\$ 98,638	2.5 %	2.6 %	2.5 %	2.5 %	2.6 %
1,560,000	1,070,000	44.0	46.9	44.0	40.9	28.6
2,119,276	2,425,985	50.1	50.8	55.6	55.6	64.8
9,000	691,344		9.3		0.2	18.5
	103,000		0.1			2.8
<u>\$ 3,784,942</u>	<u>\$ 4,388,967</u>	<u>96.6 %</u>	<u>109.7 %</u>	<u>102.1 %</u>	<u>99.2 %</u>	<u>117.3 %</u>
\$ 26,002	\$ (647,424)	3.4 %	(9.7) %	(2.1) %	0.8 %	(17.3) %
\$	\$ 15,915,000					
	(15,842,887)					
	635,823					
<u>\$ - 0 -</u>	<u>\$ 707,936</u>					
\$ 26,002	\$ 60,512					
6,608,145	6,547,633					
<u>\$ 6,634,147</u>	<u>\$ 6,608,145</u>					
3,798	3,762					
<u>3,718</u>	<u>3,685</u>					

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

District Mailing Address - Harris County Municipal Utility District No. 368
c/o Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019

District Telephone Number - (713) 489-8977

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended May 31, 2019	Expense Reimbursements for the year ended May 31, 2019	Title
Roy P. Lackey	05/18 – 05/22 (Elected)	\$ 5,400	\$ 4,004	President
Tiffani C. Bishop	05/16 – 05/20 (Elected)	\$ 5,250	\$ 2,807	Vice President/ Investment Officer
Sharon L. Cook	05/16 – 05/20 (Elected)	\$ 6,150	\$ 2,548	Secretary
Allison V. Dunn	05/18 – 05/22 (Elected)	\$ 4,800	\$ 2,545	Assistant Secretary
Eric Daniel	05/16 – 05/20 (Elected)	\$ 3,300	\$ -0-	Treasurer

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants, with the exception of Director Dunn who is related to the owner of the company which provides security services to the District.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): June 7, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on June 1, 2006. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2019

<u>Consultants</u>	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2019</u>	<u>Title</u>
Johnson Petrov LLP	02/07/00	\$ 123,470	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/17/87	\$ 21,000	Auditor
Municipal Accounts & Consulting, L.P.	12/20/05	\$ 43,210	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	04/10/84	\$ 8,074	Delinquent Tax Attorney
IDS Engineering Group	05/21/92	\$ 267,924	Engineer
Rathmann & Associates, L.P.	05/01/03	\$ -0-	Financial Advisor
Best Trash	09/03/15	\$ 585,114	Garbage Collector
Katherine Turner	12/20/05	\$ -0-	Investment Officer
Eagle Water Management	10/01/01	\$ 877,938	Operator
Harris County	12/19/06	\$ 719,823	Security
Bob Leared Interests	11/12/79	\$ 58,333	Tax Assessor/ Collector

See accompanying independent auditor's report.

CERTIFICATE FOR ORDER APPROVING AMENDED RATE ORDER

THE STATE OF TEXAS

COUNTY OF HARRIS

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

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We the undersigned officers of the Board of Directors (the "Board") of **HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368** (the "District") hereby certify as follows:

The Board convened in regular session, open to the public, on Thursday, September 5, 2019, at 6:30 p.m., at 25510 Tomball Parkway, Tomball, Texas 77375,, and the roll was called of the members of the Board, to-wit:

Roy P. Lackey
Tiffani C. Bishop
Sharon L. Cook
Allison V. Dunn
Eric Daniel

President
Vice President/Investment Officer
Secretary
Assistant Secretary
Treasurer

All members of the Board were present with the exception of _____ thus constituting a quorum. Whereupon other business, the following was transacted at such Meeting: As written

ORDER APPROVING AMENDED RATE ORDER

was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Order be adopted; and after full discussion, such motion, carrying with it the adoption of such Order prevailed, carried, and became effective by the following vote:

AYES: _____

NOES: _____

A true, full and correct copy of the aforesaid Order adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Order has been duly recorded in the Board's minutes of such Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such Meeting pertaining to the adoption of such Order; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board are duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of such Meeting, and that such Order would be introduced and considered for adoption at such meeting, and each of the officers and members consented, in advance, to the holding of such meeting for such purpose; and such Meeting was open to the public and public notice of the time, place, and purpose of such Meeting was given, all as required by Chapter 551 of the Texas Government Code and Section 49.063 of the Texas Water Code, as amended.

SIGNED this 5th day of September 2019.

Secretary, Board of Directors

President, Board of Directors

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

**AMENDED ORDER ADOPTING CONSOLIDATED RATE ORDER AND RULES
AND REGULATIONS; ESTABLISHING POLICY REGULATING WATER
CONSERVATION AND DROUGHT CONTINGENCY PLAN; ESTABLISHING A
WASTEWATER CONTROL ORDER; ESTABLISHING CERTAIN OTHER
POLICIES; AND PROVIDING PENALTIES FOR VIOLATION THEREOF.**

Amended: September 4, 2001
Amended: October 22, 2001
Amended: November 5, 2001
Amended: May 14, 2002
Amended: December 19, 2002
Amended: October 16, 2003
Amended: February 5, 2004
Amended: August 19, 2004
Amended: October 7, 2004
Amended: December 2, 2004
Amended: October 6, 2005
Amended: September 7, 2006
Amended: October 18, 2007
Amended: May 15, 2008
Amended: July 23, 2008
Amended: December 18, 2008
Amended: January 20, 2011
Amended: April 7, 2011

Amended: August 15, 2013
Amended: October 17, 2013
Amended: February 20, 2014
Amended: March 20, 2014

Amended: October 1, 2015
Amended: June 1, 2017
Amended: October 19, 2017
Amended: February 1, 2018
Amended: September 5, 2019

**AMENDED ORDER ADOPTING CONSOLIDATED RATE ORDER AND RULES
AND REGULATIONS; ESTABLISHING POLICY REGULATING WATER USE
DURING EMERGENCIES; ESTABLISHING A WASTEWATER CONTROL
ORDER; ESTABLISHING CERTAIN OTHER POLICIES; AND PROVIDING
PENALTIES FOR VIOLATION THEREOF**

THE STATE OF TEXAS

§

COUNTY OF HARRIS

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HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

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WHEREAS, the Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (formerly known as Three Lakes Municipal Utility District No. 1) (the "District"), has from time to time adopted certain orders ("Rate Order") and Rules and Regulations establishing the rates and conditions under which water and Sanitary sewer service would be provided;

WHEREAS, the Texas Commission on Environmental Quality, formerly the Texas Natural Resource Conservation Commission (the "Commission"), the State Agency responsible for setting forth rules and regulations pursuant to which the District operates, has amended its rules relating to customer service inspections;

WHEREAS, in order to remain in compliance with the rules and regulations of the Commission, the Board has determined that it is necessary to amend and restate its Rate Order to reflect the new rules regarding customer service inspections;

WHEREAS, the Board has determined that it is necessary to amend and restate its Rate Order to revise the water service rates assessed to non-profit organizations and the sewer service rates assessed to single-family residential and builder customers; and

WHEREAS, the Board has determined that it is necessary to amend and restate its Rate Order to increase the sewer service rates assessed to the separate connections, as defined herein, by \$6.00 per connection to offset the District's costs for the law enforcement services contracted by the District; and

WHEREAS, the Board has determined that it is necessary to amend and restate its Rate Order to increase the customer deposit to \$125.00 to insure the payment of final statements and to prevent the District from absorbing the cost of delinquent and uncollectible water and sewer service bills; and

WHEREAS, the Board has determined that it is necessary to amend and restate its Rate Order to increase the tap fee to \$725.00 to insure the District's costs are comparable and competitive with neighboring Districts of similar size and to generate sufficient revenues to continue providing quality service with the rate of development without increasing basic water and sewer service rates; and

WHEREAS, the Board has determined that it is necessary to amend and restate its Rate Order, particularly by the addition of subparagraph D to Section 3.05. of its Amended and Restated Rules and Regulations Governing Water and Sanitary Sewer

Facilities, Service Lines, and Connections, attached hereto as Appendix A, to further clarify prohibited connections; and

WHEREAS, the Board has determined that due to the rate of growth of the District and number of added residential connections, that it should amend and restate its Rate Order to decrease the minimum water rates to residential customers and increase the water rate for esplanades connections; and

WHEREAS, the Board has determined that it is necessary to amend its Rate Order to increase the minimum flat fee charged for residential sewer to reflect the increase in solid waste disposal fees and to reflect the increase in pumpage fees charged by the North Harris County Regional Water Authority; and

WHEREAS, the Board has determined that it is necessary to amend its Rate Order to add a new commercial rate classification to help offset the costs of Harris County Constable Patrols within the District, to increase the minimum flat fee charged for residential sewer to reflect the increase in solid waste disposal fees, and to provide for electronic payments; and

WHEREAS, the Board has determined that due to the high rate of delinquencies and the amount of time it takes the District's Operator to service the accounts with the additional notices and communications required prior to termination of service, if necessary, for failure to pay, the Board voted to amend the Rate Order to add a \$10.00 termination letter fee, effective July 1, 2008; and

WHEREAS, the Board has determined that it is in the best interest of its Customers to amend its Rate Order to increase the civil penalties for violations of the District's Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections from \$5,000 to an amount up to and not exceeding \$10,000 as set forth in the Texas Government Code Section 27.031, as amended, effective September 1, 2008; and

WHEREAS, the Board has determined that it is necessary to amend its Rate Order to increase the minimum flat fee charged for residential sewer to reflect the increase in solid waste disposal fees.

WHEREAS, the Board of Directors amended the Rate Order to pass through the costs of surface water charged by the North Harris County Regional Water Authority ("NHCRWA").

WHEREAS, the Board has determined that it is necessary to amend its Rate Order to address the District's issues with littering and/or dumping in and around drainage easements.

WHEREAS, the Board has determined that it is necessary to amend its Rate Order to increase the minimum flat fee charged for residential sewer to reflect the increase in solid waste disposal fees.

WHEREAS, the Board has determined that it is in the best interest of the District to amend and restate its Rate Order in order to amend the District's Policy Regulating Water Conservation and Drought Contingency Plan.

WHEREAS, the Board of Directors amended the Rate Order to reduce the administrative charge from 12 percent to 10 percent in connection with the costs of surface water charged by NHCRWA, effective April 1, 2014.

WHEREAS, on March 20, 2014, the Board determined that it was necessary to amend the Rate Order to address lead content requirements in plumbing fixtures and establish rules and regulations governing mobile food establishments.

WHEREAS, on October 1, 2015, the Board determined that it was necessary to amend the Rate Order to establish a minimum amount balance threshold for security deposit refunds.

WHEREAS, on June 1, 2017, the Board has determined that it is necessary to amend and restate its Rate Order to (i) increase the security service fee to offset the District's costs for law enforcement services contracted by the District; and (ii) increase the sewer service rates assessed for residential connections by \$4.00 per connection to offset the District's costs for the law enforcement services contracted by the District.

WHEREAS, on October 19, 2017, the Board has determined that it is necessary to amend its Rate Order to increase the minimum flat fee charged for residential sewer to reflect the increase in solid waste disposal fees;

WHEREAS, on February 1, 2018, the Board amended the Rate Order to reduce the administrative charge from 10 percent to 7 percent in connection with the costs of surface water charged by the North Harris County Regional Water Authority; and amended the residential tap rates to account for the smart meter installation costs.

WHEREAS, on September 5, 2019, the Board amended the Rate Order to add Appendix E, Conditions of Service to Multifamily Residential Development.

IT IS, THEREFORE, ORDERED BY THE BOARD OF DIRECTORS OF HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 THAT:

**ARTICLE I
DEFINITIONS**

A. "Commercial" - shall mean any structure designed for business purposes including office buildings, hotels, retail stores, warehouses, service stations, churches, schools, recreational centers and all other establishments not generally considered as residential structures or defined herein as a residential structure.

B. "Customer" - shall mean any person, partnership, corporation, non-profit corporation, trust or other legal entity served by the District's System with water and/or sewer services to a residence or business establishment owned or occupied by such person, partnership, corporation, non-profit corporation, trust or legal entity.

C. "Domestic Waste" - shall mean liquid-carried sanitary sewage discharge which is normally discharged from residential food preparation and bathroom facilities.

D. "Esplanade Connection" - shall mean a water system connection serving public right-of-way or other public common areas.

E. "Irrigation Connection" - shall mean any Esplanade Connection, Public Space User or any connection used solely for irrigation purposes, as determined by the District's Operator.

F. "Multi-family Residential Connection" - shall mean all multiplex residential connections which are served by a master meter.

G. "Multi-family Units" - shall mean the individual dwelling units served through the Multi-family Residential Connection's master meter and shall include condominiums and all individual dwelling units served by a master meter.

H. "Non-taxable" - shall mean any entity not subject to property taxation pursuant to the provisions of the Texas Property Tax Code.

I. "Operator" - shall mean the person, company or corporation which is employed by or under contract with the District to operate the District's water and sewer system, collect amounts owed to the District for such services, report monthly to the District on the operations for the District's System and perform any additional services set out in its contract with the District.

J. "Public Space User" - shall mean any user of the District's system for public or homeowner association esplanades, recreational areas or green spaces.

K. "Rules and Regulations" - shall mean the Amended and Restated Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections attached to this Order as Appendix "A" and incorporated herein for all purposes.

L. "Separate Connection" - shall mean each residential unit designed for occupancy by a separate family, including each separate unit located within a single multi-unit building, and each commercial unit designed for use by a separate business, including separate establishments within a single building.

M. "Single-family Residential" - shall mean any single-family structure within the District designed for occupation as a residence whether by the owner or by a renter or lessee, including any single-family residence, townhouse, multiplex, apartment building, or other structure generally considered to be and used solely for residential purposes and which is separately metered.

N. "System" - shall mean the water and/or sanitary sewer facilities of the District and all extensions and additions thereto, whether now in place or hereafter constructed.

M. "NHCRWA Assessment" - shall mean an amount added to each Customer's utility bill in an amount equal to the cost of surface water per 1000 gallon charged by the NHCRWA.

ARTICLE II TAP FEES AND CONNECTION POLICY

Section 2.01. Initiation of Water and Sanitary Sewer Connections. Each person designing a water and sanitary sewer service connection to the District's System shall be required to pay such fees as set forth in this Order. No service shall be established or re-established until such fees are paid. All service connections are subject to the provisions of the District's Rules and Regulations and all other rules, regulations, and policies of the District.

Section 2.02. Policies Governing Initial Connections.

A. Certification of System. Connections shall not be made to the District's System or portions of the System until the District's engineer has certified that the system or applicable portion thereof is operable.

B. Availability of Access/Obstructions. By application for connection to the District's System, the Customer shall be deemed to be granting to the District and its representatives a right of ingress and egress to and from the meter or point of service for such installation, maintenance and repair as the District, in its judgment, may deem reasonably necessary. The Customer shall also be deemed to be granting to the District and its representatives a right of ingress and egress to the Customer's property, including the interior and exterior of the Customer's premises, for the purpose of performing the inspections and completing the Customer Service Inspection Certifications required by the District's Rules and Regulations. Taps and connections will not be made when, in the opinion of the District's engineer or Operator, the work area is obstructed by building materials or other debris or the work area is not completed or finished to grade. When sidewalks, driveways or other improvements have been constructed prior to application for service, such application shall be construed and accepted as the Customer's waiver of a claim for any damages to such improvements resulting from the reasonable actions of the District's Operator in installation of the connection.

Section 2.03. Water Connections by District Operator. No person except the District's Operator or his authorized agent shall be permitted to tap or make any connection to the mains or distribution piping of the District's water system, except for emergency fire-fighting purposes, or make any repairs or additions to or alterations in any meter, box, tap, pipe, cock or other fixture connected with the water service or any manhole, main, trunk or appurtenance of the District's sanitary sewer system, unless otherwise specified by the Board of Directors of the District. The cost for a service line tap into the District's water system shall be:

- A. Residential taps: 3/4" -- \$800
 1" -- \$900
- B. Commercial: three (3) times the District's actual and reasonable costs;
- C. Non-taxable: the actual cost to the District, including the costs of all facilities necessary to provide District services to such non-taxable entity where such facilities are financed or to be financed by tax-supported bonds of the District;

- D. **Public Space User:** Irrigation only -- the actual cost to the District, plus \$100.

Section 2.04. Inspections and Fees.

A. **Sewer Inspections and Fees.** All connections to the District's sewer system shall be in accordance with the District's Rules and Regulations. Sewer connections and house service lines shall be inspected by the District's Operator for compliance with the Rules and Regulations. An inspection fee of \$50.00 shall be charged for all Single-Family Residential connections and a fee of \$100.00 shall be charged for all Commercial and Multi-Family Residential connections. Installations which fail to conform at any time to the Rules and Regulations shall be disconnected. Any Customer whose connection is disconnected for such failure shall be notified as to the basis for such disconnection. After noted deficiencies have been corrected, a reinspection shall be made upon payment to the District of a reinspection fee of \$25.00. If subsequent reinspections are required before the sewer connection and service lines are in compliance with the Rules and Regulations, a reinspection fee of \$25.00 shall be charged for each inspection and certification.

B. **Customer Service Inspection and Fees.** Pursuant to 30 T.A.C. §290.046(j), all Customer Service Inspections shall be performed by plumbing inspectors and water supply protection specialists licensed by the Texas State Board of Plumbing Examiners, or Customer Service Inspectors licensed by the Commission, certified water operators or members of other water related professional groups, such as engineers or sanitarians.

1. **Residential Construction.** For all new residential construction within the District the Customer Service Inspection shall be performed in three (3) separate phases as follows: 1) prior to the pouring of a slab; 2) prior to the installation of sheet rock; and 3) after the installation of plumbing. If the District's Operator performs the inspection and completes the Customer Service Inspection Certification required by Article III of the Rules and Regulations, the District shall charge the Customer a fee of \$125.00 to cover the costs of such inspection and certification, which amount shall be payable in full prior to the initial inspection. If the Customer Service Inspection is performed by another approved inspector other than the District's Operator, the District shall charge the Customer a \$25.00 processing fee which amount shall be payable in full and submitted along with the final Customer Service Report to the District. The cost for re-inspections is the same as that of the original inspections.

2. **Commercial Construction.** The costs for performing Customer Service Inspections on commercial construction shall be determined on a case by case basis depending on the complexity of the construction.

C. **Final Builder Inspection and Fees.** Upon receipt of instruction from a builder to transfer an account to an initial Customer, the District's Operator shall make a final inspection of the property and make note of the condition of all the District facilities. The District's Operator will repair any damaged District facilities, and the builder will be held responsible for all costs incurred. A fee of \$50.00 shall be charged by

the District to cover the cost of such inspection and will be collected at the time the tap fee is paid.

Section 2.05. Facility Inspection.

A. Upon or prior to the earlier of conveyance of any facility to the District or assumption of maintenance responsibility by the District, the Operator and/or Engineer shall inspect such facility and deliver a written report thereof to the District. All deficiencies noted in the report shall be corrected prior to conveyance of or assumption of maintenance responsibility of the facilities to the District.

B. At any time after conveyance of any facility to or assumption of maintenance responsibility of the District damage is observed by or reported to the District or its agents, the District's Operator or Engineer, as appropriate, will determine responsibility for such damage, if possible, and it shall be policy of the District to recover the cost of repair of such damage in any instance where responsibility may be determined. Each builder shall report any observed damage to any facility to the Operator as soon as practicable.

C. At least five (5) business days prior to commencing clearing of or construction on any lot on which District facilities are located, the builder shall notify the Operator of any damages to District facilities or may request that the Operator conduct a facility inspection. In the event of a request for inspection, the Operator shall conduct such inspection within five (5) business days.

D. In the event clearing or construction is commenced without a facility inspection having been performed, the builder shall be responsible for any damages to District facilities found at the time of the facility inspection. If no facility inspection has occurred upon completion of construction by a builder, the Operator will conduct a facility inspection at that time.

E. At any facility inspection, the Operator shall make note of the condition and location of all District facilities on the property.

F. After construction has been completed on the property, but before service is transferred to a Consumer, the District's Operator will reinspect the water tap, meter and all other District facilities on the property. The property owner or builder will be held responsible for any damages to District facilities discovered during a related facility inspection and for repairing the damages to the satisfaction of the District's Operator before service shall be initiated to a Consumer.

Section 2.06. Builder's Deposit. Each builder of a residence, commercial building or other structure shall, pay a deposit of \$1,000.00 for the first lot for which a water tap has been requested and shall maintain the \$1,000.00 deposit until 90 days after the builder certifies the sale of its last residence, commercial building or other structure within the District, at which time, the \$1,000.00 deposit shall be refunded, less any amounts forfeited as provided herein. The District shall deduct from the deposit the cost to repair any damage caused to the District's property by the builder or the builder's employees, contractors, subcontractors or agents and shall deduct any delinquent water and sewer service bills of the builder. In the event any amounts are so deducted from the builder's deposit, it will be incumbent on the builder to reinstate the original amount of

the deposit, and failure to do so will result in the suspension of any additional water taps for the builder.

Section 2.07. Temporary Water Service.

A. Temporary Connections. The District's Operator shall be authorized to make a temporary connection to any fire hydrant or flushing valve upon request for temporary water service. All temporary service shall be metered and billed to the temporary Customer as provided herein. All unauthorized withdrawal of water from flushing valves, fire hydrants, or other appurtenances of the District's System without prior approval of the District, except for emergency fire-fighting purposes, is prohibited.

B. Application and Deposit. Each temporary Customer desiring temporary water service shall be required to execute an application for such temporary service and shall provide a minimum security deposit of \$500.00, but not more than \$1,000.00, with such determination to be made by the District's Operator depending on the length of time temporary service is required and estimated amount of water to be used. The deposit shall be made by cashier's check or money order payable to the District. The deposit shall be used by the District to secure the payment for temporary water supplied by the District, the installation fee, and the cost of repair of any damages caused by the temporary Customer. The balance of the security deposit greater than \$5.00 shall be refunded after disconnection from the District's System.

C. Fees and Rates. A fee of \$50.00 for costs of installation, plus the cost of the metered water, plus the cost of rental of the meter, shall be charged for temporary water service. The following rates for the sale of water for each temporary water service connection shall be in effect from the effective date hereof until such time as the Board amends said rates:

Meter Rental: \$2.00 per day

Usage cost: two (2) times the Single-family Residential and Builder rate as set forth in Section 3.01A

Section 2.08. Service to Out-of-District Customers. All requests for water and sewer service from parties located outside the boundaries of the District shall be considered on a case by case basis and governed by separate agreement.

Section 2.09. Title to Facilities. Title to all water meters, water and sewer taps, and all other appurtenances, including meter boxes, shall lie in the District.

ARTICLE III
SERVICE RATES

Section 3.01. Water Service Rates. The following monthly rates for the sale of water shall be in effect for each Separate Connection within the District from the effective date hereof until such time as the Board of Directors amends said rates:

	<u>Type of Connection</u>	<u>Gallons Used</u>	<u>Rate</u>
A	Single Family Residential and Builder	0 – 5,000	\$15.00 minimum

		5,001 to 10,000	\$1.75 per 1,000 gallons
		10,001 to 20,000	\$2.00 per 1,000 gallons
		20,001 to 30,000	\$2.50 per 1,000 gallons
		30,001 & over	\$3.00 per 1,000 gallons
B	Multifamily Residential (During construction and prior to occupancy)	0 – 5,000	\$25.00 minimum
		5,001 to 10,000	\$1.75 per 1,000 gallons
		10,001 to 20,000	\$2.00 per 1,000 gallons
		20,001 to 30,000	\$2.50 per 1,000 gallons
		30,001 & over	\$3.00 per 1,000 gallons
B	Multifamily Residential (Post Construction per unit available for occupancy)	0 - 5,000	\$25.00 minimum
		5,001 to 10,000	\$1.75 per 1,000 gallons
		10,001 & over	\$2.50 per 1,000 gallons
C	Commercial	0 – 5,000	\$25.00 minimum
		5,001 to 10,000	\$1.75 per 1,000 gallons
		10,001 to 20,000	\$2.00 per 1,000 gallons
		20,001 to 30,000	\$2.50 per 1,000 gallons
		30,001 & over	\$3.00 per 1,000 gallons
D	Esplanades and/or Non-Profit Connections	\$0.75 per 1,000 gallons	

Section 3.02. Sewer Service Rates. The following monthly rates for the collection and disposal of sewage shall be in effect for each Separate Connection within the District from the effective date hereof until such time as the Board amends said rates:

	<u>Type of Connection</u>	<u>Gallons Used</u>	<u>Rate</u>
A	Single Family Residential and Builder	Any Amount	\$41.61
B	Multifamily Residential	0 – 10,000 10,001 & over	\$27.19 per unit \$1.00 per 1,000 gallons
C	Commercial	0 – 10,000 10,001 & over	\$23.19 per unit \$1.00 per 1,000 gallons

Section 3.03. Security Service Fee. The following monthly rates shall be charged to help offset the cost of the security patrol service within the District and shall be in effect for each Commercial, Irrigation, Non-Taxable, and Public Space User Connection within the District from the effective date hereof until such time as the Board amends said rates:

<u>Type of Connection</u>	<u>Gallons</u>	<u>Rate</u>
Commercial Connection	0 – 49,000	\$ 200.00 Flat Rate
Non-Taxable Connection	50,000 – 79,000	\$ 350.00 Flat Rate

	80,000 – 150,000 150,000 & over	\$ 600.00 Flat Rate \$3,500.00 Flat Rate
Esplanade, Irrigation and Public Space User	N/A	\$20.00 per meter

Section 3.04. No Reduced Rates or Free Service. All Customers receiving water and/or sewer service from the District shall be subject to the provisions of this Order and shall be charged the rates established in this Order, and no reduced rate or free service shall be furnished to any Customer; provided, however, this provision shall not prohibit the District from establishing reasonable classifications of customers for which rates differing from the rates stated herein may be adopted.

Section 3.05. Imposition of Fee for North Harris County Regional Water Authority. Each customer's billing statement will include a line item reflected as "NHCRWA Assessment" or such other similar language. Such fee will be calculated based upon the customer's actual water usage for the previous month (total number of gallons divided by 1,000), multiplied by the current cost for surface water assessed by the NHCRWA plus 7%, rounded to the next higher penny.

ARTICLE IV
SERVICE POLICY

Section 4.01. Security Deposits. Security deposit shall be required as follows:

A. Residential Deposits. Each Customer establishing a new account or Single-family Residential service and each Customer re-establishing an account for Single-family Residential service that has been terminated for non-payment shall be required to pay, prior to the District providing service or restoring service, a security deposit of \$125.00.

B. Commercial Deposits. Each Customer establishing a Commercial account or Multifamily Residential account, and each Customer re-establishing a Commercial account or Multifamily Residential account that has been terminated for non-payment, shall be required to make a security deposit equal to two (2) times the estimated average monthly bill for such connection, as determined by the District based on typical requirements for similar uses.

C. In addition to the security deposits required above, the Operator shall collect a nonrefundable application fee of \$25.00 from each Customer establishing a new account for Single-family Residential, Multi-family Residential or commercial service to cover the cost of establishing a new account. Such fee shall be collected before service is initiated.

D. Full Payment Required. Service shall be initiated upon payment of the security deposit and all other fees and charges.

E. Refund of Deposit. Following payment of the final bill and payment of all fees and charges, the balance of the security deposit greater than \$5.00 shall be refunded by check mailed to the Customer. No interest shall be payable to the Customer on any security deposit.

Section 4.02. Billing Procedures. All accounts shall be billed in accordance with the following procedures:

A. Due Date and Delinquency. Payment shall be due on or before the due date shown on the bill. After such date, a late charge of ten percent (10%) will be assessed on the unpaid balance on the water and sewer bill. All accounts not paid by the due date shall be deemed delinquent and failure to make payment within thirty (30) days thereafter may result in the termination of water and sewer service.

B. Method of Payment and Associated Fees. Except as provided in Section 4.02.C., the District shall take the following forms of payment for water and sewer service: cash, check, cashier's check, money order, credit card or e-payment (via credit card). Credit card and e-payment services are provided as a convenience only and such payment services may be terminated at any time at the discretion of the District. A processing fee of up to five percent (5%) of the amount of the charge on credit card payments may be assessed at the time of payment. The District will charge a \$30.00 fee to any customer 1) for each check given to the District that must be returned for any reason or 2) for any e-payment made to the District that is declined for any reason. Payments attempted to be made by a check or e-payment which are returned shall be

considered delinquent unless cash or certified funds are presented to the District for payment within the time period required by Section 4.02.A.

C. Notice and Appeal. Prior to termination of service, a Customer who is delinquent in payment shall be sent a notice that service will be discontinued unless payment in full is received. The termination of service date shall not be less than five days from the date the notice is sent. Notice shall be sent by first class United States Mail and will provide the Customer with an opportunity to appear in person or by written correspondence at a scheduled meeting of the Board of the District to contest, explain, or correct the charges, services, or disconnection. The notice shall inform the Customer of the amount of the delinquent bill, the date service will be disconnected if payment is not made, and of the right to contest, explain, or correct the charges, services, or disconnection. The District shall charge the Customer a \$10.00 Delinquent Letter fee to offset the administrative cost of providing such notice. Service shall not be disconnected where a Customer has informed the District or the District's Operator of his or her desire to contest or explain his bill. If the Customer appears before the Board, in person or by written correspondence, the Board shall hear and consider the matter and inform the Customer of the Board's determination by sending written notice to the Customer by first class United States mail stating whether service will be continued or disconnected. If service is discontinued, it shall be reinstated only upon payment in full of all amounts due by cashier's check or money order, including any late charges, the applicable security deposit set out in Section 4.01, and a reinstatement charge of \$50.00 for Single-family Residential Customers and \$100.00 for Commercial and Multi-family Residential Customers.

D. Returned Checks. A \$30.00 charge will be charged to the Customer's account for any check returned by the bank. Any amounts due on an account which have been paid with a check that has been returned by the bank must be paid in full by cashier's check or money order, including all later charges and returned check charges, within five (5) days from the date the Operator hangs a notice on the Customer's door or otherwise notifies the Customer that the check has been returned by the bank.

Section 4.03. Entitlement. Customers are not guaranteed a specific quantity or pressure of water or specific capacity in sewer facilities for any purpose whatsoever; furthermore, in no instance shall the District be liable for failure or refusal to furnish water or any particular amount or pressure of water or to provide capacity in sewer facilities.

Section 4.04. Unauthorized and Extraordinary Waste. The rates established hereinafter applicable for Domestic Waste as defined herein. Customers proposing to generate other types of waste will be assessed additional charges as established by the District.

Section 4.05. Damage to District Facilities.

A. Damage to Meter and Appurtenances. No person other than a duly authorized agent of the District shall open a meter box, tamper with or in any way interfere with a meter, meter box, service line or other water and/or sewer system appurtenance. The District reserves the right, immediately and without notice, to remove the meter or disconnect water service to any Customer whose meter has been tampered with and to assess repair charges to the Customer, plus a damage fee of \$150.00.

B. Right to Repair. The District reserves the right to repair any damage to the District and appurtenances without prior notice and to assess against any Customer such penalties as are provided by law and such penalties provided for in this Rate Order in addition to those charges necessary to repair the portion of the System so damaged.

ARTICLE V
ADOPTION OF RULES AND REGULATIONS CONCERNING
WATERWORKS AND SANITARY SEWER SYSTEM

To preserve the sanitary condition of all water controlled by the District, to prevent waste or the unauthorized use of water controlled by the District, and to secure and maintain safe, sanitary and adequate plumbing installation, connections and appurtenances, the Board of the District hereby adopts the Amended and Restated Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections attached hereto as Appendix "A" and incorporated herein for all purposes.

ARTICLE VI
POLICY REGULATING WATER CONSERVATION AND DROUGHT
CONTINGENCY PLAN

The Board of the District hereby adopts the Policy Regulating Water Conservation and Drought Contingency Plan attached hereto as Appendix "B" and incorporated herein for all purposes.

ARTICLE VII
WASTEWATER CONTROL ORDER

The Board of the District hereby adopts the Amended and Restated Wastewater Control Order, attached hereto as Appendix "C" and incorporated herein for all purposes.

ARTICLE VIII
ENFORCEMENT/CIVIL PENALTIES

Section 8.01. Enforcement.

A. Civil Penalties. The Board hereby imposes the following civil penalties for breach of any rule of the District: The violator shall pay the District twice the costs the District has sustained due to the violation up to \$5,000.00. A penalty under this Section is in addition to any other penalty provided by the laws of this State and may be enforced by complaints filed in the appropriate court of jurisdiction in the county in which the District's principal office or meeting place is located. If the District prevails in any suit to enforce its rules, it may, in the same action, recover any reasonable fees for attorneys, expert witnesses, and other costs incurred by the District before the court. The amount of the attorneys' fees shall be fixed by the court.

B. Liability for Costs. Any person violating any of the provisions of this Order and/or the Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections shall become liable to the District for any expense, loss or damage occasioned by the District by reason of such violation, and enforcement thereof shall be in accordance with Section 8.01(A) of this Order and Article X of the Rules and Regulations.

Section 8.02. Non-waiver. The failure on the part of the District to enforce any section, clause, sentence, or provision of this Order shall not constitute a waiver of the right of the District later to enforce any section, clause, sentence, or provision of this Order.

Section 8.03. Appeal. Any determination by the District's Operator or the District's engineer or any authorized agent of the District of any dispute regarding the terms and provisions of this Order may be appealed to the Board of the District, which shall conduct a hearing on the matter. The District's Operator and/or attorney shall provide the Customer with information regarding appeals and hearing procedures upon the Customer's request.

The District may contract with an independent contractor to provide for solid waste and trash collection within the District. If the Board of the District determines that it is in the best interest of the District to contract for solid waste and trash collection, the fee for such service, as established by contract, shall be included on the water and sewer service bill including applicable sales tax. Failure to pay the solid waste and trash collection service on or before the due date indicated on the water and sewer service bill shall result in the assessment of a 10% penalty on the unpaid balance of the bill for solid waste and trash collection as well as termination of service under the provisions of Article IV of this Order.

ARTICLE X MISCELLANEOUS

Section 10.01. Amendments. The Board of the District has and specifically reserves the right to change, alter or amend any rate or provision of this Order at any time.

Section 10.02. Severability. The provisions of this Order are severable, and if any provision or part of this Order or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Order and application of such provision or part of this Order shall not be affected thereby.

Section 10.03. Headings. The section and paragraph headings used herein are for reference only and are not to be construed as part of the text of the section or paragraph.

ARTICLE XI REPEAL OF PREVIOUS ORDERS

All previous orders adopted by the Board of Directors pertaining to the subject matter hereof are each hereby repealed in their entirety as of the effective date hereof.

ARTICLE XII
EFFECTIVE DATE

This Order shall be effective as of the 1st day of January, 2009.

The President or Vice President is authorized to execute and the Secretary or any Assistant Secretary is authorized to attest this Order on behalf of the Board and to do all things necessary and proper to carry out the purpose and intent hereof.

AMENDED AND RESTATED RULES AND REGULATIONS GOVERNING
WATER AND SANITARY SEWER FACILITIES, SERVICE LINES, AND
CONNECTIONS

- APPENDIX "A" - Amended and Restated Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections
 - Exhibit 1 - Plumber's Certificate of Compliance
 - Exhibit 2 - Service Inspection Certification
 - Exhibit 3 - Backflow Prevention Assembly Test and Maintenance Report
 - Exhibit 4 - Customer Service Agreement
 - Exhibit 5 - Application for Service
 - Exhibit 6 - Sanitary Sewer Inspection Form
- APPENDIX "B" - Policy Regulating Use of Water During a Serious and/or Emergency Water Period/Water Conservation
 - Exhibit 1 - Notice to Customers regarding Serious Water Period
 - Exhibit 2 - Notice to Customers regarding Emergency Water Period
 - Exhibit 3 - Notice to Customers regarding End of Water Use Restrictions
 - Exhibit 4 - Notice to Customer regarding Violation of Water Use Restrictions
 - Exhibit 5 - Notice to Customer regarding Violation of Water Use Restrictions (weekly watering)
 - Exhibit 6 - Second Notice to Customer regarding Violation and Termination of Services
- APPENDIX "C" - Amended and Restated Wastewater Control Order
- APPENDIX "D" - Policy Regulating Littering and/or Dumping in and around Drainage Easements

THE STATE OF TEXAS

§

COUNTY OF HARRIS

§

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

§

ARTICLE I
PURPOSE

The following Amended and Restated Rules and Regulations Governing Water and Sanitary Sewer Facilities, Service Lines, and Connections (the "Rules and Regulations") shall govern the design, installation and inspection of all connections and taps made to the District's water distribution system and sanitary sewer collection system, the limitations of the flow of waste into the sanitary sewer system, protection of all facilities which are part of the District's waterworks and sanitary sewer system, and the enforcement of these Rules and Regulations.

ARTICLE II
GENERAL

Section 2.01. Definitions.

1. Customer is any person, partnership, corporation, non-profit corporation, trust or other legal entity served by the District with water and/or sewer services to a residence or business establishment.
2. District is HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 of Harris County, Texas, a political subdivision of the State of Texas.
3. Engineer is the person, company or corporation which is under contract with the District to design the District's Water Supply System and Sanitary Sewer Collection System and performs any additional services as set forth in the contract with the District.
4. High Health Hazard is a cross-connection, potential cross-connection, or any other situation involving any substance that can cause death, illness, spread of disease, or that has a high possibility of causing such effects if introduced into the District's Water Supply System.
5. Operator is the person, company or corporation which is under contract with the District to operate the District's Water Supply System and Sanitary Sewer Collection System, collect amounts owed to the District for such services, report monthly to the District on the operations of the District's Water Supply System and Sanitary Sewer Collection System and perform any additional services as set forth in the contract with the District.
6. Rate Order shall mean the District's Order Adopting Consolidated Rate Order and Rules and Regulations; Establishing Policy Regulating Water Use During Emergencies; Establishing a Wastewater Control Order; and

Providing Penalties for Violation Thereof which may be amended from time to time.

7. Sanitary Sewer Collection System constitutes the underground sanitary sewer lines owned or leased and operated by the District. This system is composed of all interconnecting laterals, mains, and trunk lines with manholes, clean-outs, stacks, tees, and wyes located within the publicly dedicated utility easements owned or leased and operated by the District. This system is maintained by the District.
8. Sanitary Sewer Service Line is any line from a residential dwelling or commercial building which connects with the District's Sanitary Sewer Collection System, including any grease traps or other facilities constructed to prevent non-domestic waste from being introduced into the District's Sanitary Sewer Collection System. This service line is owned and maintained by the property owner of the residential dwelling or commercial building.
9. Sewer Tap is the physical connection between the Sanitary Sewer Service Line and the District's Sanitary Sewer Collection System.
10. Sewer Tap Inspection is the inspection performed by the District's Operator to assure that the proper materials and connections to the Sanitary Sewer Collection System have been accomplished in accordance with these Rules and Regulations.
11. State Approved Plumbing Code is a set of rules governing plumbing practices which are at least as stringent and comprehensive as one of the following nationally recognized codes:
 - (a) Southern Standard Plumbing Code.
 - (b) Uniform Plumbing Code.
 - (c) National Standard Plumbing Code.
12. Tap Fee is the fee paid to the District to obtain a water meter and sewer inspection for any dwelling. The amount of the Tap Fee shall be established in the District's Rate Order and may be modified or changed at any time.
13. Utility Easement is an interest in land, granted by dedication, to public utility entities, including the District, to install and maintain utilities across, over, or under private land together with the right to enter thereon with machinery, other vehicles and personnel necessary for the maintenance, repair or construction of said utilities.
14. Water Supply System is composed of all water lines, valves, valve boxes, flushing valves, blowoff valves, water meters, water meter service lines, and meter boxes located within public rights-of-way or easements owned or leased and operated by the District. This system is maintained by the District.

15. Water Meter is the recording device that registers the amounts of water consumed by each Customer of the District. This meter is owned and maintained by the District.
16. Water Service Line is any line from a residential dwelling or commercial building, which connects to the District's Water Supply System. This service line is owned and maintained by the property owner of the residential dwelling or commercial structure.
17. Water Tap is the physical connection of any Water Service Line to the District's Water Supply System. Such connection will be made only by the District's Operator.

Section 2.02. Platting Requirement. No connection shall be made to the District's Water Supply System or Sanitary Sewer Collection System unless the tract, parcel, or lot of land to be served by such connection:

1. was first connected to the District's Water Supply System or Sanitary Sewer Collection System prior to September 1, 1987, or
2. is part of an area covered by a development plat duly approved and recorded pursuant to Sections 212.0115 and 212.012 of the Local Government Code, as amended, or
3. is not required to be platted and written certification to that effect, in accordance with Section 212.0115(e), has been presented to the District's Operator.

Section 2.03. Approval of Plans and Specifications. Prior to any non-residential connection to the District's Water Supply System or the Sanitary Sewer Collection System, the plans and specifications for the Sanitary Sewer Service Line and the Water Service Line must be submitted the District's Engineer for review and approval. Upon the Engineer's review and approval, the plans and specifications shall then be submitted to the District's Operator for review and approval. The cost of the review and approval of the plans and specification by the District's Engineer and Operator shall be paid by the Customer.

ARTICLE III WATER CONNECTIONS

Section 3.01. Water Tap Materials. Only the following types of pipe and fitting materials shall be approved for the installation of Water Taps, including residential Water Taps and commercial Water Taps:

1. Any meter approved by the City of Houston;
2. Brass curb stops, corp stops, and related fittings manufactured by Ford, Hays or Muller;
3. Polyethylene water service pipe, 3/4" to 2";
4. Cast iron or vinyl iron (C-900) water service pipe, larger than 2";
5. Water main pipe of the type originally installed;

6. Plastic meter box up to 2" meter;
7. Concrete meter box, where traffic use is specified; and
8. Concrete meter vault per City of Houston specifications for 3" and larger meter.

Section 3.02. Plumbing Material Prohibitions.

A. Prohibited Materials. The use of the following materials are prohibited for the installation and repair of the District's Water Supply System and for the installation and repair of any private plumbing facilities:

1. any pipe or pipe fitting which contains more than 0.25% lead; and
2. any solder or flux which contains more than 0.25% lead. This prohibition may be waived for lead joints that are necessary for repairs to cast iron pipe.

B. Certificate of Compliance. No new connections to the District's Water Supply System shall be made unless a state licensed plumber first submits in writing to the District a Certificate of Compliance, as set forth in Exhibit "1" attached hereto, specifying that the new connection complies with the plumbing material prohibition contained in Section 3.02(A) hereof. The Certificate of Compliance shall be signed by the licensed plumber and must be submitted to the District's Operator prior to continuous service being supplied. The District shall not accept any Tap Fee that is not accompanied by a Certificate of Compliance.

Section 3.03. Installation.

1. An Application for Service, a copy of which is attached hereto as Exhibit "5," must be filed with the District's Operator. The Customer must pay to the District's Operator all Tap Fees, inspection fees and deposits, as described in the District's Rate Order.
2. All Water Taps to the District's Water Supply System shall be installed only by the District's Operator.
3. The District's Operator shall install Water Taps and set meters at a location on adjoining property lines, whenever possible, with the meter box being located in the easement adjacent to the property line and with two (2) meters per box, where appropriate.
4. The District's Operator shall be responsible for all repairs to the Water Taps.
5. After installation of the Water Tap, connection of the Water Service Line shall be made at the expense of the Customer. (Note: This line shall be tested for leaks since all water recorded through the meter will be charged to the Customer).

6. After connection to the District's Water Supply System, the Water Service Line should be thoroughly flushed as to prevent foreign matter from entering the household system.

Section 3.04. Customer Service Inspection Certifications.

A. A Customer Service Inspection Certification, as described in Exhibit "2" attached hereto, shall be completed prior to providing continuous water service to any new construction, on any existing service where the District has reason to believe that cross-connections or other unacceptable plumbing practices exist, and after any material improvement, correction, or addition to private plumbing facilities. Prior to the District initiating continuous service, a Customer shall provide a Customer Service Inspection Certification to the District. The Customer Service Inspection Certification may only be performed by those individuals described in Subsection B of this Section 3.04. For Customer Service Inspection Certifications performed by the District's Operator, the Customer must pay the District the Customer Service Inspection Fee prior to the Operator performing the inspection and certification. Copies of properly completed Customer Service Inspection Certifications shall be kept on file by the District's Operator and made available, upon request, for the Texas Commission on Environmental Quality, formerly the Texas Natural Resource Conservation Commission ("Commission") review. Inspection certifications shall be retained for a minimum of ten (10) years. Failure to provide a Customer Service Inspection Certification in accordance with this Section 3.04 shall constitute a violation of these Rules and Regulations and such violation shall be subject to the enforcement provisions set forth in Article X hereof.

B. Individuals with the following credentials shall be recognized as capable of conducting a Customer Service Inspection Certification:

1. Plumbing Inspectors and Water Supply Protection Specialists licensed by the Texas State Board of Plumbing Examiners; and
2. Certified Waterworks Operators and members of other water related professional groups who have completed a training course, passed an examination administered by the Commission or its designated agent, and hold an endorsement granted by the Commission or its designated agent.

C. Private plumbing facilities in violation of Article III hereof shall constitute an unacceptable plumbing practice and violation of these Rules and Regulations. If an unacceptable plumbing practice is discovered, the Customer shall eliminate the unacceptable plumbing practice within thirty (30) days from the date of discovery to prevent possible contamination of the District's Water Supply System. The existence of a serious threat to the integrity of the District's Water Supply System shall be considered sufficient grounds for immediate termination of water service. Service can be restored only when the source of potential contamination no longer exists, or when

D. The Customer Service Inspection Certification shall certify that:

1. No direct connection between the District's Water Supply System and a potential source of contamination exists. Potential sources of contamination are isolated from the District's Water Supply

System by an air gap or an appropriate backflow prevention assembly in accordance with state plumbing regulations. Additionally, all pressure relief valves and thermal expansion devices are in compliance with state plumbing regulations.

2. No cross-connection between the District's Water Supply System and a private water source exists. Where an actual air gap is not maintained between the District's Water Supply System and a private water supply, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a recognized backflow prevention assembly tester.
3. No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the District's Water Supply System.
4. No pipe or pipe fitting which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.
5. No solder or flux which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.
6. No new or replacement plumbing fixture is installed which is not in compliance with a State Approved Plumbing Code.

Section 3.05. Prohibited Connections.

A. No water connection from the District's Water Supply System shall be made to any establishment where an actual or potential contamination or system hazard exists without an air gap separation between the drinking water supply and the source of potential contamination. Where a containment air gap is impractical, individual "internal" air gaps or mechanical backflow prevention devices shall be required at the meter in the form of a backflow prevention device (in accordance with AWWA Standards C510 and C511 and AWWA Manual M14) on those establishments handling substances deleterious or hazardous to the public health.

B. No water connection from the District's Water Supply System shall be made to any condensing, cooling, or industrial process or any other system of nonpotable usage over which the District does not have sanitary control, unless the said connection is made in accordance with the requirements of paragraph (A) of this section. Water from such systems cannot be returned to the District's Water Supply System.

C. Overhead bulk water dispensing stations must be provided with an air gap between the filling outlet hose and the receiving tank to protect against back siphonage and cross-contamination.

D. No water tap or other connection shall be made to the District's Water Supply System, to another Customer's Water Service Line, or to a private building or facility, including any pipe that is connected directly or indirectly to the District's Water Supply System, without written approval from the District. Connections of such nature

not only compromise the integrity of the District's Water Supply System, but also pose a serious health risk.

Section 3.06. Backflow Prevention Assemblies.

A. Backflow prevention assemblies shall be installed on any connection which poses a High Health Hazard and any other connection which the District or the District's Operator reasonably believes poses a threat to the District's Water Supply System. Water service provided for lawn sprinklers, swimming pool supply, reflection pool supply or other such applications must incorporate a back flow prevention assembly in accordance with a State Approved Plumbing Code for the particular designated use. No permanent water service will be provided or continued to any new connection in the District which requires a backflow prevention assembly, unless the Customer provides the District with a Backflow Prevention Assembly Test and Maintenance Report (the "Test Report"), as described in Exhibit "3" attached hereto. At the request of the customer, the District's Operator may, on behalf of the District, install the backflow prevention assembly and complete the Test Report at the Customer's cost.

B. Effective January 1, 1996, all backflow prevention assemblies shall be tested upon installation by a Recognized Backflow Prevention Assembly Tester and certified to be operating within specifications. The Test Report, as described in Exhibit "3" attached hereto, shall be retained for a minimum of three (3) years. The District shall provide these records to the Commission for inspection upon request. Backflow prevention assemblies which are installed to provide protection against High Health Hazards must also be tested and certified to be operating within specifications at least annually by a Recognized Backflow Prevention Device Tester.

C. Recognized Backflow Prevention Device Testers shall have completed a Commission approved course on cross-connection control and backflow prevention and passed an examination administered by the Commission or its designated agent. The accredited tester classification shall be broken down into two categories:

1. The "General Tester" is qualified to test and repair backflow prevention assemblies on any domestic, commercial, industrial or irrigation service.
2. The "Fireline Tester" is qualified to test and repair backflow prevention assemblies on firelines only. The State Fire Marshall's office requires that a person performing maintenance on firelines must be employed by an Approved Fireline Contractor.

D. Individuals who can show proof of completion of a course and passage of an exam based on the ABPA or ASSE National Exam, prior to the effective date of these regulations, may be recognized as accredited for the term of their current certification (not to exceed three (3) years).

E. Gauges used in the testing of backflow prevention assemblies shall be tested for accuracy annually in accordance with the University of Southern California's Foundation of Cross-Connection Control and Hydraulic Research and/or the American Water Works Association Manual of Cross Connection Control (Manual M-14). Test

gauge serial numbers must be included on the Test Report and Recognized Backflow Prevention Device Testers shall have gauges tested for accuracy.

F. A Test Report must be completed by the Recognized Backflow Prevention Assembly Tester for each assembly tested. The signed and dated original must be submitted to the District's Operator for record keeping purposes.

G. Repairs to backflow prevention assemblies shall be performed by authorized individuals as recognized by the Texas State Board of Plumbing Examiners, the Commission, Texas Irrigators Advisory Council, or the Texas Commission on Fire Protection-State Fire Marshall's Office, depending upon application and use.

H. The use of a backflow prevention device at the service connection shall be considered as additional backflow protection and shall not negate the use of backflow protection on internal hazards as outlined and enforced by a State Approved Plumbing Code.

Section 3.07. Customer Service Agreements.

A. The District is responsible for protecting its Water Supply System from contamination or pollution which can result from unacceptable plumbing practices. To this end, the District has adopted plumbing restrictions to provide protection to the District's Water Supply System. To notify Customers of the plumbing restrictions which are in place, each Customer shall be required to sign a Customer Service Agreement, as described in Exhibit "4" attached hereto, before the District will begin service. In addition, when service to an existing connection has been suspended or terminated, the District will not re-establish service unless it has a signed copy of a Customer Service Agreement.

The District will maintain a copy of the Customer Service Agreement as long as the Customer and/or the premises is connected to the District.

B. The Customer shall allow his/her property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the District or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other unacceptable plumbing practices exist; or after any major changes to the private plumbing facilities. Inspections shall be conducted during the District's normal business hours.

C. The District shall notify the Customer in writing of any cross-connection or other unacceptable plumbing practices which have been identified during the initial inspection or the periodic reinspection.

D. The Customer shall immediately correct any undesirable plumbing practice on his/her premises.

E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the District. Copies of all testing and maintenance records shall be provided to the District.

F. If a Customer fails to comply with the terms of the Customer Service Agreement, the District shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention assembly at the service connection.

Any expenses associated with the enforcement of the Customer Service Agreement shall be billed to the Customer.

ARTICLE IV SANITARY SEWER CONNECTIONS

Section 4.01. Sanitary Sewer Service Line Installation.

A. Only one Sanitary Sewer Service Line connection to the District's Sanitary Sewer Collection System is permitted for each residence or commercial building. The Sanitary Sewer Service Line shall remain fully within the boundaries of the lot until the line reaches a utility easement or street right-of-way.

B. No opening in the District's Sanitary Sewer Collection System will be allowed to remain open overnight or during rain.

C. All Sanitary Sewer Service Lines must be constructed to true alignment and grade. Warped and/or sagging lines will not be permitted. Sanitary Sewer Service Lines must have continuous contact with firm trench bottom throughout their entire run. Lines placed in such manner as to increase the likelihood of being displaced during backfill will be rejected.

D. All Sanitary Sewer Service Lines should be run from wyes or stacks directly to the houses without meanders or bends.

Section 4.02. Sanitary Sewer Service Line Materials. Only the following types of pipe and fitting materials are approved for constructing Sanitary Sewer Service Lines. Pipe and fittings in each Sanitary Sewer Service Line must consist of the following material or other material approved by the District's Engineer:

1. Vitrified clay pipe conforming to ASTM Specification C700 with joint coupling conforming to ASTM Specifications C425 or C594 and installed according to ASTM C12.
2. Cast iron soil pipe, standard weight, conforming to ASTM Specification A74 with rubber gasket joint coupling conforming to ASTM Specification C564.
3. Poly-vinyl-chloride PSM (PVC) pipe conforming to ASTM Specification D3034 or ASTM specification F789 (with UL listing) and installed according to ASTM D2321.
4. Ductile Iron Pipe conforming to ANSI A21.51 with rubber gasket joints ANSI A21.11 and installed according to manufacturer's recommendations.
5. Acrylonitrile-butadiene-styrene (ABS) pipe material conforming to ASTM Specification D2751.

Section 4.03. Size and Grade of Sanitary Sewer Service Lines.

A. Minimum Sizes for Sanitary Sewer Service Lines shall be as follows:

1. Residential - - 4 inches in diameter; and
2. Commercial - - - 6 inches in diameter.

B. The minimum grades for Sanitary Sewer Service Lines shall be as follows:

1. 4 inch pipe - - - 14 inch drop per hundred feet (1.2%);
2. 6 inch pipe - - - 8 inch drop per hundred feet (0.7%); and
3. 8 inch pipe - - - 5 inch drop per hundred feet (0.4%).

C. The maximum grades for Sewer Service Lines shall be as follows:

1. 4 inch pipe - - - two and one-half feet drop per hundred feet (2.5%);
2. 6 inch pipe - - - one and one-half feet drop per hundred feet (1.5%); and
3. 8 inch pipe - - - one foot drop per hundred feet (1%).

Section 4.04. Connection of Building Sewer Outlet.

A. On all building waste outlets, the building tie-on connections shall be made directly to the stub-out from the building plumbing at the foundation.

B. Water-tight adapters of a type compatible with the materials being joined shall be used at the point of connection of a Sanitary Sewer Service Line to the building plumbing. No cement grout materials shall be permitted.

C. Unless an exception is permitted by the District's Operator, existing wye and stack connections must be utilized for connection of a Sanitary Sewer Service Line to the District's Sanitary Sewer Collection System.

D. Commercial users shall install a sampling well constructed to City of Houston standards and a grease trap with sampling port constructed to City of Houston standards when required by the District's Engineer and Operator.

Section 4.05. Fittings and Cleanouts.

A. No bends or turns at any point will be greater than forty-five degrees (45°).

B. Each horizontal Sanitary Sewer Service Line will be provided with a cleanout at its upper terminal; and each such run of piping which is more than ninety (90) feet in length will be provided with a cleanout for each ninety (90) feet or fraction thereof in the length of such piping.

C. Each cleanout will be installed so that it opens in a direction opposite to the flow of the waste and, except in the case of wye branch and end-of-the-line cleanouts, cleanouts will be installed vertically above the flow line of the pipe.

D. Cleanouts will be made with air-tight mechanical plug.

Section 4.06. Installation of Sewer Taps and Issuance of Permits.

A. Sanitary Sewer Service Lines must be at least 24 inches below (vertically) and at least 9 feet from (horizontally) any Water Service Line (far side or near side connection). If this is not possible, a cast iron casing over the Water Service Line must be installed by the Customer, which casing will be inspected by the Operator.

B. Excavation for Sewer Taps shall be water tamped in all areas within 5 feet (vertically or horizontally) of any existing sewer lines, sidewalks or driveways. Soil not suitable for water tamping (clay modules, organic material or silty soils) shall be removed and replaced with suitable backfill materials.

C. All stacks shall be installed in locations shown on the plans. Stacks shall be capped and the cap lightly cemented in place. Wyes will not be installed by the line contractor. Wye saddles will be paid for in the line contract, but will be delivered to the District's Operator. The District's Operator will furnish the Customer a saddle at the time of inspection.

D. An Application for Service (a copy of which is attached as Exhibit "5") must be filed with the District's Operator prior to construction of any Sanitary Sewer Service Line, and the Tap Fee and/or Sewer Tap Inspection fee as established in the District's most current Rate Order should accompany the application. (Application forms are available from the District's Operator.) Construction of any Sanitary Sewer Service Line must not begin until the design of the Sanitary Sewer Service Line is approved by the District's Engineer and construction is authorized by the District's Operator.

E. When the Sanitary Sewer Service Line is complete, and prior to backfilling the pipe trench, the Customer shall request an inspection of the Sanitary Sewer Service Line. Requests for inspections (or reinspections) shall be made to the District's Operator at least twenty-four (24) hours in advance of the inspection.

F. The Sewer Tap shall be made only under the supervision of the District's Operator by use of an adapter of a type compatible with materials being joined. The Sewer Tap shall be watertight. No cement grout materials are permitted.

G. Any damage to the District's facility shall be repaired promptly by the Customer under the direction of the District's Operator. Major damage will be repaired by the District's Operator at the Customer's expense.

H. Backfilling of a Sanitary Sewer Service Line trench must be accomplished within twenty-four (24) hours of inspection and approval. Backfill material shall be sand or loam free of large lumps or clods. No debris will be permitted in the trench or backfill.

I. During inspection of the Sanitary Sewer Service Line, the District's Operator will examine all District facilities, such as manholes, valves, flush valves, and inlets on and adjacent to the lot. The connection permit will not be granted until any damage to these facilities has been repaired.

J. The District's Operator will complete the Inspection Form (a copy of which is attached as Exhibit "6") and file it for record with the Application.

K. A connection permit will be issued after the Sewer Tap Inspection is performed and the District's Operator confirms that all requirements of these Rules and Regulations have been met.

L. Connection permits which are rejected for any deficiency shall be promptly corrected and a reinspection requested. A reinspection fee as set forth in the District's Rate Order shall be paid at the time the reinspection is requested.

ARTICLE V
FEES AND CHARGES

The District's fees and charges shall be as established by its Rate Order.

ARTICLE VI
EXCLUDED FLOW AND WASTE

A. No waste material which is not biologically degradable will be permitted to discharge into the District's Sanitary Sewer Collection System, including mud and debris accumulated during service line installation. The Customer should refer to the District's Rate Order and Wastewater Control Order for specific information concerning acceptable discharges into the District's Sanitary

B. No surface runoff water will be permitted to be discharged into the District's Sanitary Sewer Collection System, including but not limited to, downspouts and yard or area drains.

C. Swimming pool and/or spa connections will not be made to the District's Sanitary Sewer Collection System unless specifically approved by the District in writing.

ARTICLE VII
PRIVATE WELLS/TANKS

The construction of water wells and/or the installation of septic tanks is prohibited without prior written approval by the Board of Directors. Said approval, if granted by the Board of Directors, will state the purpose for the construction of a water well and the intended use of the water.

ARTICLE VIII
AVAILABILITY OF ACCESS/OBSTRUCTIONS

By application for connection to the District's Sanitary Sewer Collection System and/or Water Supply System, the Customer shall be deemed to be granting to the District and its representatives a right of ingress and egress to and from the meter or point of service for such installation, maintenance and repair as the District, in its judgment, may deem reasonably necessary. The Customer shall also be deemed to be granting to the District and its representatives a right of ingress and egress to the Customer's property, including the interior and exterior of the Customer's premises, for the purpose of performing the inspections and completing the Customer Service Inspection Certifications required by these Rules and Regulations. Taps and connections will not be made when, in the opinion of the District's Engineer or Operator, the work area is obstructed by building materials or other debris or the work area is not completed or finished to grade. When sidewalks, driveways or other improvements have been constructed prior to application for service, such application shall be construed and accepted as the Customer's waiver of a claim for any damages to such improvements resulting from the reasonable actions of the District's Operator in installation of the connection.

ARTICLE IX
PROTECTION OF DISTRICT'S WATER SUPPLY SYSTEM AND SANITARY
SEWER COLLECTION SYSTEM

A. Damage to the District's Water Supply System or the Sanitary Sewer Collection System by the District's Customers, including developers and builders' plumbers, will be repaired by the District at the Customer's expense.

B. After a water meter has been set or a fire hydrant installed, the Customer shall at all times keep the area in, around and upon such facilities and District easements and property under Customer's control free from rubbish or obstructions of any kind, including shrubbery. Failure to keep such facilities and District easements and property under Customer's control free from rubbish or obstructions of other kind, including shrubbery, shall result in disconnection of water service and/or the assessment of charges necessary to remove said obstructions. Customers are prohibited from introducing material into the District's Sanitary Sewer Collection System which could cause obstruction of said system. In the event that an inspection by the District's Engineer or Operator reveals foreseeable damage to the District's Sanitary Sewer Collection System resulting from a Customer's failure to prevent obstructions from entering said system, the District reserves the right to remove the obstruction immediately and without notice. Any costs incurred by the District for removal of an obstruction to the District's system, plus a District administration fee of 20% of said costs, shall be assessed to the Customer.

C. It shall be unlawful for any person, unless authorized in writing by the District's Operator, to tamper or interfere with, obstruct access to, or as a result of willful action injure, deface, or destroy any facilities that are a part of the District's Water Supply System or Sanitary Sewer Collection System, including, with respect to the waterworks system, water plants, flushing valves, valve boxes, and water lines up to the meter box and including meters; provided, however, that duly authorized members of the local fire department shall have the right to use such flushing valves for fire protection purposes.

D. It shall be unlawful for any person to connect any building to the District's Water Supply System without a meter or to have a straight line connection to a building without being metered. It shall also be unlawful for any person, other than the District's Operator or Engineer, to draw water from the District's Water Supply System (except for the use of water for firefighting purposes) without being metered, including the unauthorized use of a flushing valve or unmetered water taps.

E. It shall be unlawful for any person to deposit, throw, drain, discharge, or otherwise cause to be injected into any sewer, manhole, catch basin, flush tank, or other facility that is a part of the District's Water Supply System or Sanitary Sewer Collection System any debris or foreign substance that would interfere with the proper and routine functioning thereof.

ARTICLE X
ENFORCEMENT OF RULES AND REGULATIONS

Any and all of the following remedies may be employed by the District to abate and prevent any violation of the provisions of these Rules and Regulations:

1. Discontinuance of water service.

2. Disconnection and sealing of sanitary sewer connection.
3. The Board hereby imposes the following civil penalties for breach of any rule or regulation of the District: The violator shall pay the District twice the costs the District has sustained due to the violation up to \$10,000. A penalty under this Section is in addition to any other penalty provided by the laws of this State and may be enforced by complaints filed in the appropriate court of jurisdiction in the county in which the District's principal office or meeting place is located. If the District prevails in any suit to enforce its rules, it may, in the same action, recover any reasonable fees for attorneys, expert witnesses, and other costs incurred by the District before the court. The amount of the attorneys' fees shall be fixed by the court.
4. A Customer found in violation of these Rules and Regulations shall be liable to the District for all expenses borne by the District including laboratory fees, legal fees, engineering fees and other costs incurred by the District in establishing the violation and resolving the cause of the violation.
5. A Customer found in violation of these Rules and Regulations who causes or contributes to a violation by the District's Sanitary Sewer Collection System of effluent parameters shall be liable to the District for all expenses borne by the District, including legal and engineering fees related to any lawsuit filed by federal, state, or local authorities regarding violations by the District of effluent parameters applicable to the District's Sanitary Sewer Collection System.

ARTICLE XI
EFFECTIVE DATE

These Rules and Regulations shall become effective immediately.

EXHIBIT "1"
TO APPENDIX A

CERTIFICATE OF COMPLIANCE
WITH
PROHIBITION ON USE OF SPECIFIED MATERIALS IN
CONNECTIONS TO
MUNICIPAL UTILITY DISTRICT WATER SYSTEM

I, _____, a duly licensed plumber in the
State of Texas, hereby certify that the connection at
_____ (the "Connection") complies in full with
the "Prohibition of Use of Specified Materials" provision contained in the Amended and
Restated Rules and Regulations for HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 368 (the "District"). I further certify that:

1. No direct connection between the District's Water Supply System and a potential source of contamination exists. Potential sources of contamination are isolated from the District Water Supply System by an air gap or an appropriate backflow prevention assembly in accordance with state plumbing regulations. Additionally, all pressure relief valves and thermal expansion devices are in compliance with state plumbing codes.
2. No cross connection between the District's Water Supply System and a private water system exists. Where an actual air gap is not maintained between the District's Water Supply System and a private water supply system, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention device tester.
3. No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the District's Water Supply System.
4. No pipe or pipe fitting which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.
5. No solder or flux which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.
6. No plumbing fixture is installed which is not in compliance with a State Approved Plumbing Code.

Signature

Printed Name

Company Name Texas License No.: _____

Date: _____

EXHIBIT "2"
TO APPENDIX A SERVICE INSPECTION CERTIFICATION

Name of District:

District I.D. #:

Location of Service:

I, _____ (*name of Inspector*), upon inspection of the private plumbing facilities connected to the Water Supply System of HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 (the "District"), do hereby certify that, to the best of my knowledge:

FOR DISTRICT USE ONLY

(1)	No direct connection between the District's Water Supply System and a potential source of contamination exists. Potential sources of contamination are isolated from the District Water Supply System by an air gap or an appropriate backflow prevention assembly in accordance with state plumbing regulations. Additionally, all pressure relief valves and thermal expansion devices are in compliance with state plumbing codes.	Certificate of Compliance <input type="checkbox"/>	Non-Compliance <input type="checkbox"/>	Certificate on File <input type="checkbox"/>
(2)	No cross connection between the District's Water Supply System and a private water system exists. Where an actual air gap is not maintained between the District's Water Supply System and a private water supply system, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention device tester.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3)	No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the District's Water Supply System.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4)	No pipe or pipe fitting which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(5)	No solder or flux which contains more than 0.25% lead exists in private plumbing facilities installed on or after July 1, 1988.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(6)	No plumbing fixture is installed which is not in compliance with a State Approved Plumbing Code.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Water service shall not be provided or restored to the private plumbing facilities until the above conditions are determined to be in compliance.

I further certify that the following materials were used in the installation of the plumbing facilities:

Service Lines Lead ☐ Copper ☐ PVC ☐ Other ☐

Solder Lead ☐ Lead Free ☐ Solvent Weld ☐ Other ☐

NOTE: THIS SERVICE INSPECTION CERTIFICATION IS FURNISHED FOR THE

SOLE PURPOSE OF INSPECTING THE PLUMBING FACILITIES AT THE AFORESAID LOCATION OF SERVICE FOR UNACCEPTABLE PLUMBING PRACTICES IN ACCORDANCE WITH SAID DISTRICT'S RULES AND REGULATIONS GOVERNING WATER AND SANITARY SEWER FACILITIES, SERVICE LINES, AND CONNECTIONS. NO REPRESENTATION OR WARRANTY IS INTENDED OR MADE AS TO THE ADEQUACY, QUALITY OR FITNESS OF THE PRIVATE PLUMBING FACILITIES.

Signature of Inspector: _____

Registration Number: _____

Title: _____

Type of Registration: Date: _____

EXHIBIT "3"
TO APPENDIX A

BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT

The following form must be completed for each assembly tested. A signed and dated original must be submitted to the District for record keeping purposes:

BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT

Name of District: _____

PWS I.D. #: _____

Location of Service: _____

The backflow prevention assembly detailed below has been tested and maintained as required by Commission regulations and is certified to be operating within acceptable parameters.

TYPE OF ASSEMBLY

- ☐ Reduced Pressure Principle
- ☐ Double Check Valve
- ☐ Not Needed at this Address

- ☐ Pressure Vacuum Breaker
- ☐ Atmosphere Vacuum Breaker

Manufacturer _____

Size _____

Model Number _____

Located at _____

Serial Number _____

	Reduced Pressure Principle Assembly				Pressure Vacuum Breaker			
	Double Check Valve Assembly		Relief Valve	Air Inlet			Check Valve	
	1 st Check	2 nd Check		Opened at _____ psid	_____ psid	_____ psid		
Initial Test	DC-Closed Tight RP- _____ psid	<input type="checkbox"/> Closed Tight	<input type="checkbox"/>	Opened at _____ psid	Did not Open	<input type="checkbox"/> Leaked	<input type="checkbox"/>	
	Leaked	<input type="checkbox"/> Leaked	<input type="checkbox"/>					
Repairs and Materials Used								
Test After Repair	DC-Closed Tight RP- _____ psid	<input type="checkbox"/> Closed Tight	<input type="checkbox"/>	Opened at _____ psid	Opened at _____ psid	_____ psid		

The above is certified to be true.

Firm Name: _____

Certified Tester: _____

Firm Address: _____

Cert. Tester No.: _____

Date: _____

EXHIBIT "4"
TO APPENDIX A

CUSTOMER SERVICE AGREEMENT

SECTION I. PURPOSE. HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 (the "District") is responsible for protecting its Water Supply System from contamination or pollution which could result from unacceptable plumbing practices. The purpose of this Service Agreement is to notify each customer of the plumbing restrictions which are in place to provide this protection. The District enforces these restrictions to ensure the public health and welfare. Each customer must sign this Customer Service Agreement before the District will begin service. In addition, when service to an existing connection has been suspended or terminated, the District will not re-establish service unless it has a signed copy of this Customer Service Agreement.

SECTION II. PLUMBING RESTRICTIONS. The following unacceptable plumbing practices are prohibited by State regulations:

- A. No direct connection between the District's Water Supply System and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air gap or an appropriate backflow prevention device.
- B. No cross-connection between the District's Water Supply System and a private water system is permitted. These potential threats to the District's Water Supply System shall be eliminated at the service connection by the installation of an air gap or a reduced pressure-zone backflow prevention device.
- C. No connection which allows water to be returned to the District's Water Supply System is permitted.
- D. No pipe or pipe fitting which contains more than 0.25% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
- E. No solder or flux which contains more than 0.25% lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

SECTION III. SERVICE AGREEMENT. The following are the terms of this Customer Service Agreement between HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368 (the "District") and _____ (the "Customer"):

- A. The District will maintain a copy of this Customer Service Agreement as long as the Customer and/or the premises is connected to the District.
- B. The Customer shall allow his/her property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the District or its designated agent prior to initiating new water service; when there is reason to believe that cross-

connections or other unacceptable plumbing practices exist; or after any major changes to the private plumbing facilities. Inspections shall be conducted during the District's normal business hours.

- C. The District shall notify the Customer in writing of any cross-connection or other unacceptable plumbing practices which have been identified during the initial inspection or the periodic reinspection.
- D. The Customer shall immediately correct any unacceptable plumbing practice on his/her premises.
- E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the District. Copies of all testing and maintenance records shall be provided to the District.

SECTION IV. ENFORCEMENT. If the Customer fails to comply with the terms of this Service Agreement, the District shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this Service Agreement shall be billed to the Customer.

NOTE: THE PURPOSE OF THE CUSTOMER SERVICE AGREEMENT IS TO NOTIFY CUSTOMERS OF THE PLUMBING RESTRICTIONS OF THE DISTRICT ADOPTED TO PROTECT THE DISTRICT'S WATER SUPPLY SYSTEM. INSPECTIONS CONDUCTED BY THE DISTRICT'S OPERATOR IN ACCORDANCE WITH THIS SERVICE AGREEMENT ARE FOR THE SOLE PURPOSE OF DISCOVERING AND ELIMINATING UNACCEPTABLE PLUMBING PRACTICES. THE DISTRICT OR THE DISTRICT'S OPERATOR MAKES NO REPRESENTATION AS TO THE ADEQUACY, QUALITY, OR FITNESS OF THE CUSTOMER'S PRIVATE PLUMBING FACILITIES.

Customer's Signature _____

Date: _____

Address: _____

EXHIBIT "5"
TO APPENDIX A

APPLICATION FOR SERVICE

(Please print or type)

Duplicate to: _____

Address: _____ Subdivision and Section: _____

Name of Applicant: _____ Lot: _____ Block: _____

Street Address: _____ Mailing Address: _____

Phone: _____ City: _____ State: _____ Zip: _____

Installation to be performed by: _____
(Plumber or Sub-contractor) (Phone)

Type of pipe material to be used: PVC _____, ABS _____, VC _____, CI _____

Will a tax exemption for all or any part of the property be sought? ___Yes ___No If yes, explain:

Applicant agrees that it shall notify the District if any of the above information should change during the Application process. The District reserves the right to deny or terminate service if any information in this application or submitted in connection with an Application is false, misleading or incomplete. Applicant agrees to the terms of the District's Policy, including the obligation to reimburse the District for costs and expenses incurred in the processing of the Application.

Date: _____ Requested by: _____
(Signature of Applicant)

Applicant to draw sketch of house layout and proposed location of water and sewer service line.

FOR DISTRICT USE ONLY

Date Application Received: _____

Date Construction Authorized: _____

Connection Information: _____

WYE Location - _____

Stack Location - _____

Manhole Location - _____

Date of Inspection: 1st: _____ 2nd: _____ 3rd: _____

Date Permit Granted: _____

Approved by: _____
(District Representative)

EXHIBIT "6"
TO APPENDIX A

INSPECTION FORM SANITARY SEWER SERVICE

Lot _____ Block _____ Section _____
Street Address _____
Inspection Requested By: _____ Date _____
Date Tap to Be Made _____
Results of Inspection Made on _____ at _____ AM/PM

Pipe Material: Size _____ PVC (D3034) _____ ABS(D2751) _____
Tap to: Wye _____ Stack _____
Cleanout: Home _____ and _____

INSTALLATION

	Satisfactory	Unsatisfactory
Directness to Wye	_____	_____
Slope	_____	_____
Full Contact w/bedding	_____	_____
Connection w/Main	_____	_____
Condition of Other District Facilities on Lot	_____	_____
Connection Permit is:	approved	(not approved)
Water service to Lot is:	approved	(not approved)

This service reinspected on _____. (See Attached new report).

Comments: _____

Copy to:

Applicant _____	By: _____ District Inspector
Manager _____	By: _____ Authorized Representative of Applicant

APPENDIX B

POLICY REGULATING WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

Amended September 5, 2019

Section I: Declaration of Policy. Purpose and Intent

In order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, Harris County Municipal Utility District No. 368 (the "District") hereby adopts the following regulations and restrictions on the delivery and consumption of water.

Water uses regulated or prohibited under this Water Conservation and Drought Contingency Plan (the "Plan") are considered to be non-essential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) to penalties as defined in Section XI of this Plan.

Section II: Public Involvement

Opportunity for the public to provide input into the preparation of the Plan was provided by the District by means of posting of the Board of Directors (the "Board") meeting agenda at the regularly designated posting locations.

Section III: Public Education

The District will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of publication of public notice, notification of homeowner's association, signs at major intersections and any other method of communication the Board mandates.

Section IV: Coordination with Regional Water Planning Groups

The service area of the District is located within Region H. The District has provided a copy of this Plan to Region H, the North Harris County Regional Water Authority, and the Harris-Galveston Subsidence District.

Section V: Authorization

The Board or its designee is hereby authorized and directed to implement the applicable provisions of this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. The Board or its designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this Plan.

Section VI: Application

The provisions of this Plan shall apply to all persons, customers, and property utilizing water provided by the District. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

Section VII: Definitions

For the purposes of this Plan, the following definitions shall apply:

Aesthetic water use: water use for ornamental or decorative purposes such as fountains, reflecting pools, and water gardens.

Authority: North Harris County Regional Water Authority.

Authority Plan: the Drought Contingency Plan of the Authority.

Board: the Board of Directors of Harris County Municipal Utility District No. 368.

Commercial and institutional water use: water use which is integral to the operations of commercial and non-profit establishments and governmental entities such as retail establishments, hotels and motels, restaurants, and office buildings.

Conservation: those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer: any person, company, or organization using water supplied by the District.

District: Harris County Municipal Utility District No. 368.

Domestic water use: water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry, or institution.

Even number address: street addresses or box numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.

Industrial water use: the use of water in processes designed to convert materials of lower value into forms having greater usability and value.

Landscape irrigation use: water used for the irrigation and maintenance of landscaped areas, whether publicly or privately owned, including residential and commercial lawns, gardens, golf courses, parks, and rights-of-way and medians.

Non-essential water use: water uses that are not essential or required for the protection of public, health, safety, and welfare, including:

- (a) irrigation of landscape areas, except otherwise provided under this Plan;
- (b) use of water to wash any motor vehicle motorbike, boat, trailer, airplane or other vehicle;
- (c) use of water to wash down any sidewalks, walkways, driveways parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) flushing gutters or permitting water to run or accumulate in any gutter or street;
- (f) use of water to fill, refill, or add to any indoor or outdoor swimming pools or Jacuzzi-type pools;
- (g) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (h) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (i) use of water from hydrants for construction purposes or any other purposes other than fire fighting.

Odd numbered address: street addresses or box numbers ending in 1, 3, 5, 7, or 9.

Production Capacity: the quantity of water that the District's water system is capable of supplying to its customers on a daily basis.

Utility Personnel: authorized employee(s) of the operator or engineer of the District's water and sewer systems.

Section VIII: Criteria for Initiation and Termination of Drought Response Stages

The Board or its designee shall monitor water supply and/or demand conditions on a monthly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan, that is, when the specified "triggers" are reached.

The triggering criteria described below are based on the monitoring of daily consumption as a percentage of total available water supply. The total available water supply includes groundwater sources and the District's contractual obligation with the North Harris County Regional Water Authority for their surface water allotment.

Stage 1 Triggers -- MILD Water Shortage Conditions

Requirements for initiation

Customers shall be requested to voluntarily conserve water and adhere to Stage 1 - MILD Water Shortage Conditions certain water uses, defined in Section IX – Drought Response Stages, when the Authority implements a Stage 1 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds eighty-five percent (85%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 1 of the Plan may be rescinded when the condition listed as triggering events have ceased to exist for a period of five (5) consecutive days.

Stage 2 Triggers -- MODERATE Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions of Stage 2 - MODERATE Water Shortage Condition described in Section IX of this Plan, when the Authority implements Stage 2 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds ninety percent (90%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator. Requirements for termination Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Requirements for termination

Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Stage 3 Triggers -- SEVERE Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 3 - SEVERE Water Shortage Conditions of this Plan, when the Authority implements Stage 3 Water Shortage, as described in the Authority Plan or demand on the District's water supply facilities reaches or exceeds ninety-five percent (95%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 3 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 3, Stage 2 becomes operative.

Stage 4 Triggers - CRITICAL Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 4 - CRITICAL Water Shortage Conditions of this Plan, when the Authority implements a Stage 4 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds hundred percent (100%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 4, Stage 3 becomes operative.

Stage 5 Triggers -- EMERGENCY Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions for Stage 5 - EMERGENCY Water Shortage Conditions of this Plan when the Authority implements Emergency Water Shortage under the Authority Plan or the Board or its designee, determines that a water supply emergency exists based on:

1. Major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability to provide water service; or
2. Natural or man-made contamination of the water supply source(s).

Requirements for termination

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of twenty-four (24) hours.

WATER ALLOCATION

Requirements for initiation

Customers shall be required to comply with the water allocation plan prescribed in Section IX of this Plan and comply with the requirements and restrictions for Stages of this Plan immediately when an Emergency Water Supply condition exists.

Requirements for termination

Water allocation may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days.

Section IX: Drought Response Stages

The Board or its designee, shall monitor water supply and/or demand conditions on a daily basis and, in accordance with the triggering criteria set forth in Section VIII of this Plan, shall determine that a mild, moderate, severe or emergency condition exists and shall implement the following notification procedures:

Notification of the Public:

The Board or its designee shall notify the public by means of:

- (a) publication in a newspaper of general circulation,
- (b) direct mail to each customer,
- (c) public service announcements,
- (d) signs posted in public places,
- (e) take-home fliers at schools, or
- (f) any other method deemed appropriate.

Additional Notification:

The Board or its designee shall notify directly, or cause to be notified directly, the following individuals and entities:

- (1) local homeowners association
- (2) all Utility Personnel will be advised of the plan and conditions in order that all Utility Personnel will be aware of their water usage during this period and responsibility.

Stage 1 Responses -- MILD Water Shortage Conditions

Target

Achieve a voluntary five percent (5%) reduction in daily water use.

Supply Management Measures

- (a) Inform the public that a trigger condition has been reached, and that they should look for ways to voluntarily reduce water use. Specific steps which can be taken will be provided through the news.
- (b) Notify major commercial water users of the situation and request voluntary water use reductions.
- (c) Publicize a voluntary lawn watering schedule.
- (d) During winter months request water users to insulate pipes rather than running water to prevent freezing.

Voluntary Water Use Restrictions

- (a) Water customers are requested to voluntarily limit the irrigation of landscaped areas to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and to irrigate landscapes only between the hours of midnight and 10:00 a.m. and 8:00 P.M. to midnight on designated watering days.
- (b) All operations of the District shall adhere to water use restrictions prescribed for Stage 1 of the Plan.
- (c) Water customers are requested to practice water conservation and to minimize or discontinue water use for non-essential purposes.
- (d) Use of new water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, splash pads or Jacuzzi-type pools. Note: recycled water is permitted.

Stage 2 Responses - MODERATE Water Shortage Conditions

Target

Achieve a 10 percent (10%) reduction in daily water use.

Supply Management Measures

- (a) Continue implementation of all relevant actions in preceding phase.
- (b) Car washing, window washing and pavement washing should be discouraged.
- (c) The following lawn schedule shall be implemented:

Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

- (d) the following public water uses, not essential for public health or safety should be discouraged:
 - (1) the washing down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - (2) use of water to wash down buildings or structures for purposes other than immediate fire protection;
 - (3) use of water for dust control;
 - (4) flushing gutters or permitting water to run or accumulate in any gutter or street;
 - (5) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s);
 - (6) athletic field watering.

Water Use Restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

- (a) Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight. Such washing, when allowed, shall be done with a handheld bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rises. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these regulations if the health, safety, and welfare of the public are contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.
- (c) Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or jacuzzi-type pools is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight.
- (d) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountain or ponds are equipped with a recirculation system.
- (e) (e) Use of water from hydrants shall be limited to fire fighting, related activities, or other activities necessary to maintain public health, safety, and welfare, except that use of water from designated fire hydrants for construction purposes may be allowed under special permit from the District.
- (f) Use of water for the irrigation of golf course greens, tees, and fairways is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight. However, if the golf course utilizes a water source other than that provided by the District, the facility shall not be subject to these regulations.
- (g) All restaurants are prohibited from serving water to patrons except upon request of the patron.
- (h) The following uses of water are defined as non-essential and are prohibited:
 - 1. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - 2. use of water to wash down buildings or structures for purposes other than immediate fire protection;

3. use of water for dust control;
4. flushing gutters or permitting water to run or accumulate in any gutter or street and
5. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s).

Stage 3 Responses - SEVERE Water Shortage Conditions

Target

Achieve a fifteen percent (15%) reduction in daily water use.

Supply Management Measures

- (a) Continue implementation of all relevant actions in proceeding phase.
- (b) Only commercial businesses that utilize water in their daily operations may be waived of the preceding measures when financial hardships are placed on that business.

Water Use Restrictions. All requirements of Stage 2 shall remain in effect during Stage 3 except:

- (a) Irrigation of landscaped areas shall be limited to designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight, and shall be by means of hand-held hoses, hand-held buckets, drip irrigation, or permanently installed automatic sprinkler system only. The use of hose-end sprinklers is prohibited at all times.
- (b) The watering of golf course tees is prohibited unless the golf course utilizes a water source other than that provided by the District.
- (c) The use of water for construction purposes from designated fire hydrants under special permit is to be discontinued.

Stage 4 Responses - CRITICAL Water Shortage Conditions

Target

Achieve a twenty percent (20%) reduction in daily water use.

Water Use Restrictions. All requirements of Stage 2 and 3 shall remain in effect during Stage 4 except:

- (a) Irrigation of landscaped areas shall be limited to designated watering days between the hours of 6:00 a.m. and 10:00 am, and between 8:00 p.m. and 12:00 midnight and shall be by means of hand-held hoses, hand-held buckets, or drip irrigation only. The use of hose-end sprinklers or permanently installed automatic sprinkler systems are prohibited at all times.
6. Use of new water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, splash pads or Jacuzzi-type pools. Note: recycled water is permitted.
- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle not occurring on the premises of a commercial car wash and commercial service stations and not in the immediate interest of public health, safety, and welfare is prohibited. Further, such vehicle washing at commercial car washes and commercial service stations shall occur only between the hours of 6:00 am, and 10:00 a.m. and between 6:00 p.m. and 10 p.m.
- (c) The filling, refilling, or adding of water to swimming pools, wading pools, and jacuzzi type pools is prohibited.
- (d) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
- (e) No application for new, additional, expanded, or increased-in-size water service connections, meters, service lines, pipeline extensions, mains, or water service facilities of any kind shall be approved, and time limits for approval of such applications are hereby suspended for such time as this thought response stage or a higher-numbered stage shall be in effect.

Stage 5 Responses - EMERGENCY Water Shortage Conditions

Target

Reduce the delivery of water as required by the nature of the emergency and the amount of water available.

Water Use Restriction. All requirements of Stages 1, 2, 3, and 4 shall remain in effect during Stage 5 except:

- (a) Irrigation of landscaped areas is absolutely prohibited.

- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.

WATER ALLOCATION

In the event that water shortage conditions threaten public health, safety, and welfare, the District Operator is hereby authorized to allocate water according to the following water allocation plan:

- (a) A Retail customer's monthly allocation shall be a percentage of the customer's water usage baseline. The percentage will be set by resolution of the Board based on the District Operator's assessment of the severity of the water shortage condition and the need to curtail water diversions and/or deliveries and may be adjusted periodically by resolution of the Board as conditions warrant. Once water allocation is in effect, water diversions by or deliveries to each retail customer shall be limited to the allocation established for each month.
- (b) A monthly water usage allocation for an emergency water shortage condition shall be established by the District Operator or his/her designee, for each retail customer. The retail customer's water usage baseline will be computed on the average water usage by month for the previous three-year period as shown in the example given below. If the retail water customer's billing history is less than three years, the monthly average for the period for which there is a record shall be used for any monthly period for which no billing history exists.

Example Calculation of Monthly Allocation for a Hypothetical Retail Water Customer*

	2010	2011	2012	Sum	Ave	Allocation Percentage	Monthly Allocation
Jan.	14.6	14.9	15.6	45.0	15.0	75%	11.3
Feb.	13.3	13.3	14.7	41.3	13.8	75%	10.3
March	14.6	14.9	15.9	45.4	15.1	75%	11.4
April	16.8	15.7	18.7	51.2	17.1	75%	12.8
May	17.9	18.3	17.1	53.3	17.8	75%	13.3
June	17.2	20.5	24.9	62.6	20.9	75%	15.7
July	23.2	31.4	24.6	79.2	26.4	75%	19.8
Aug.	20.6	33.7	30.9	85.2	28.4	75%	21.3
Sept.	19.6	22.0	19.8	62.3	20.8	75%	15.6
Oct.	19.7	16.5	18.5	54.7	18.2	75%	13.7
Nov.	14.9	15.3	16.2	46.4	15.5	75%	11.6
Dec.	15.0	15.6	16.5	47.1	15.7	75%	11.8
Total	207.4	232.9	233.4		224.6		

*Units in thousands of gallons

- (c) The District Operator shall provide notice, by radio, TV or other announcement, to retail customers informing them of their monthly water usage allocations and the executive director of the Texas Commission on Environmental Quality upon initiation of pro rata water allocation.

Upon request of the customer or at the initiative of the District Operator, the allocation may be reduced or increased if. (1) the designated period does not accurately reflect the retail customer's normal water usage; (2) other objective evidence demonstrates that the designated allocation is inaccurate under present conditions. A customer may appeal an allocation established hereunder to the Board.

Section X: Enforcement

- (a) No person shall knowingly or intentionally allow the use of water from the District for residential, commercial, industrial, agricultural, governmental, or any other purpose in a manner contrary to any provision of this Plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by the President, or his/her designee, in accordance with provisions of this Plan.
- (b) Any person who violates this Plan is guilty of a misdemeanor and, upon conviction shall be punished by a fine of up to \$10,000.00. Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If a person is convicted of three or more distinct violations of this Plan, the Board shall, upon due notice to the customer, be authorized to terminate water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, and any other costs incurred by the District in discontinuing service. In addition, suitable assurance must be given to the President that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.
- (c) Any person, including a person classified as a water customer of the District, in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child occurred on property within the parents' control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this Plan and that the parent could not have reasonably known of the violation.

- (d) Any organization in violation of this Plan is subject to civil penalties of up to \$10,000. Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If an organization violates this Plan three or more times, the Board shall, upon due notice to the customer, be authorized to terminate water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, and any other costs incurred by the District in discontinuing service. In addition, suitable assurance must be given to the President that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.
- (e) Any employee or the District, police officer, or other employee designated by the Board, may issue a citation to a person he/she reasonably believes to be in violation of this Ordinance. The citation shall be prepared in duplicate and shall contain the name and address of the alleged violator, if known, the offense charged, and shall direct him/her to appear in municipal court on the date shown on the citation for which the date shall not be less than 3 days nor more than 5 days from the date the citation was issued. The alleged violator shall be served a copy of the citation. Service of the citation shall be complete upon delivery of the citation to the alleged violator, to an agent or employee of a violator, or to a person over 14 years of age who is a member of the violator's immediate family or is a resident of the violator's residence. The alleged violator shall appear in municipal court to enter a plea of guilty or not guilty for the violation of this Plan. If the alleged violator fails to appear in municipal court, a warrant for his/her arrest may be issued. A summons to appear may be issued in lieu of an arrest warrant. These cases shall be expedited and given preferential setting in municipal court before all other cases.

Section XI: Variances

The Board or its designee, may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

- (a) Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- (b) Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the Board within five (5) days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the Board or its designee, and shall include the following:

- (a) Name and address of the petitioner(s).
- (b) Purpose of water use.
- (c) Specific provision(s) of the Plan from which the petitioner is requesting relief.
- (d) Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Ordinance.
- (e) Description of the relief requested.
- (f) Period of time for which the variance is sought.
- (g) Alternative water use restrictions or other measures' the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- (i) Other pertinent information.

Variances granted by the District shall be subject to the following conditions, unless waived or modified by the Board or its designee:

- (a) Variances granted shall include a timetable for compliance.
- (b) Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

APPENDIX C

AMENDED AND RESTATED WASTEWATER CONTROL ORDER

THE STATE OF TEXAS	§	
COUNTY OF HARRIS	§	
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368	§	A

I. PURPOSE

This Amended and Restated Wastewater Control Order set forth below is to govern all connections made to the sanitary sewer collection system within the District.

II. DEFINITIONS

Definitions from the District's Order Adopting Consolidated Rate Order and Rules and Regulations; Establishing Policy Regulating Water Use During Emergencies; Establishing a Wastewater Control Order; and Providing Penalties for Violation Thereof are incorporated herein by reference. Unless the context requires otherwise, the terms and phrases used herein shall have meanings as follows:

1. The term "amenable to treatment" shall mean susceptible to reduction in concentration by Treatment routinely provided in the District's wastewater treatment plant, to a level which is in compliance with federal and state effluent limitations for discharges into the waters of the State of Texas.
2. The term "B.O.D." (Biochemical Oxygen Demand) means the quantity of oxygen by weight expressed in milligrams per liter ("mg/l") utilized in the biochemical oxidation of organic matter under standard laboratory conditions for five days at a temperature of twenty (20) degrees centigrade as determined by the procedures specified in the latest edition of Standard Methods, or such other manual of operations as the District may adopt from time to time in accordance with the latest rules of the Texas Natural Resource Conservation Commission (the "Commission").
3. The term "Control Manhole" or "Control Point" means a manhole, sample well or other facility which provides access to a Customer's Sanitary Sewer Collection System and is located at a point before the Waste discharges in the Waste Disposal System.
4. The term "C.O.D." (Chemical Oxygen Demand) means the measure of the oxygen-consuming capacity of inorganic and organic matter present in water or waste, expressed in milligrams per liter as the amount of oxygen consumed from a chemical oxidant as determined by Standard Methods, or such other manual of operations as the District may adopt from time to time in accordance with the latest rules of the Commission.
5. The term "Commercial Waste" means the liquid and water-carried waste resulting

from any process of industry, manufacturing, trade, business, or commercial enterprise, or any other process resulting in the discharge of waste other than normal domestic wastewater, including any mixture of industrial waste with water or normal domestic wastewater, and such other waste as the District deems appropriate.

6. The term "Commercial Waste Charge" means the charge made to persons who discharge or are responsible for the discharge of non-residential waste into the Waste Disposal System which discharge is amenable to treatment but which exceeds the concentration levels of normal domestic wastewater.

7. The term "Customer" means any person who is served by the wastewater collection and treatment system of the District (the "Waste Disposal System").

8. The term "Customer's Sanitary Sewer Collection System" means the sanitary sewer system(s) now owned or operated or to be constructed or acquired by Customers of the District, including sanitary sewers (but excluding storm sewers), manholes, intercepting sewers, pumping works, and all other plants, works, and equipment for the collection and transportation of waste to the District's Waste Disposal System.

9. The term "daily composite" means the composite of all samples of a Customer's wastewater that may be taken in any 24-hour period selected by the District. A daily composite shall be prepared from not less than three (3) grab samples collected no closer together than one (1) hour per sample.

10. The term "discharge" includes the terms deposit, conduct, drain, emit, throw, run, seep, or otherwise release or dispose of, or to allow, permit, or suffer any of such acts or omissions.

11. The term "grab sample" means an individual sample collected in less than 15 minutes.

12. The term "grease" means fats, waxes, oils, and other similar volatile material and waste which are extracted by procedures specified in the latest edition of Standard Methods, or such other manuals as the District may adopt from time to time in accordance with the latest rules of the Commission.

13. The term "infiltration water" means water which leaks into the District's Waste Disposal System or its customers' sanitary sewer collection systems.

14. The term "interference" means the inhibition or disruption of the Waste Disposal System treatment process or operations which causes or contributes to causing a violation of the District's NPDES Permit or its permit issued by the Texas Commission on Environmental Quality.

15. The term "mg/l" means milligrams per liter.

16. The term "monthly average" means, at the option of the District, either (i) the

arithmetic average of all grab samples taken during a calendar month or (ii) the arithmetic average of all daily composite samples taken during a calendar month.

17. The term "normal domestic wastewater" means waste, excluding industrial waste, discharged by a person into the Waste Disposal System or into a Customer's sanitary sewer collection system in which the average concentration of total suspended solids is not more than 200 mg/l, B.O.D. is not more than 200 mg/l, and NH₃-N is not more than 35 mg/l.

18. The term "overload" means the imposition of organic or hydraulic loading on the Waste Disposal System in excess of either its designated hydraulic capacity, its installed rated capacity, or its organic loading capacity.

19. The term "person" means any individual, public or private corporation, district, authority, political subdivision, or other agency or entity of the State of Texas or of the United States of America; any incorporated city, town, or village, whether operating under general law or under its home rule charter; and any copartnership, association, firm, trust, estate, or any other entity whatsoever.

20. The term "pH" means the common logarithm of the reciprocal of the hydrogen ion concentration expressed in molecules per liter of solution.

21. The term "Pollutant" means any dredged spoil, solid waste, incinerator residue, waste, garbage, sludge, munitions, chemical wastes, biological materials, radioactive materials, heat, wrecked or discharged equipment, rock, sand, cellar dirt and industrial, municipal and agricultural waste discharged into water.

22. The term "pretreatment" means the reduction of the amount of Pollutants, the elimination of Pollutants, or the alteration of the nature of the Pollutant properties in the wastewater to a less harmful state prior to or in lieu of discharging or otherwise introducing such Pollutants into the Waste Disposal System.

23. The term "properly shredded garbage" means solid waste from the preparation, cooking, and dispensing of food and from the handling, storage, and sale of produce that has been shredded to such a degree that all particles will be carried freely under the flow conditions normally prevailing in public sanitary sewers, with no particle greater than one-half (1/2) inch in any dimension.

24. The term "slug" means any discharge of water which in the concentration of any given constituent or in the quantity of the flow, exceeds for any period of duration longer than fifteen (15) minutes more than five (5) times the average twenty-four (24) hour concentration or flow during normal operation.

25. The term "Standard Methods" means the examination and analytical procedures set forth in the latest edition of "Standard Methods for the Examination of Water and Wastewater" as prepared, approved, and published jointly by the American Public Health Association, the America Water Works Association, and the Water Pollution Control Federation.

26. The term "storm sewer" means sewers which carry storm and surface waters and drainage and into which waste is not intentionally discharged.

27. The term "suspended solids" means those solids that either float on the surface or are in suspension in waste or other liquids, expressed in terms of milligrams per liter.

28. The term "trap" means a device designed to skim, settle, or otherwise remove grease, oil, sand, flammable wastes, or other substances which may be harmful to either the Waste Disposal System or its treatment processes.

29. The term "waste" means normal domestic wastewater and commercial waste collected by a public sanitary sewer collection system, together with such infiltration water as may be present.

30. The term "Waste Disposal System" means all or any part of any disposal system or disposal facilities constructed or acquired by the District for receiving, transporting, treating, and disposing of waste collected by the sanitary sewer collection systems of the District's customers, together with such extensions, enlargements, and modifications as may be required in the future or as may be necessary to comply with any regulatory requirements.

31. The term "wastewater service charge" means the charge to all users of the District's Waste Disposal System whose wastes do not exceed the concentrations established herein as representative of normal domestic wastewater.

III. PROHIBITED DISCHARGE

A. Discharges Injuring or Interfering With Waste Disposal System. All waste discharged into the Waste Disposal System shall conform to the requirements hereof and shall consist only of waste amenable to biological treatment or other processes employed by the District from time to time. No person may discharge into the Waste Disposal System any waste which by itself or by interaction with any other waste may (i) injure or interfere with the process or physical properties or facilities of the Waste Disposal System, (ii) constitute a hazard to humans or animals, and (iii) create a hazard in the receiving waters of the effluent of the Waste Disposal System. No person shall discharge any of the following substances into the Waste Disposal System:

1. Any inflows or infiltration, including but not limited to, storm water, groundwater, roof runoff, sub-surface drainage, noncontact cooling water, or from sources such as downspouts, yard drains, pool drains, yard fountains or ponds, or lawn sprinklers.

2. Any liquids, solids or gases which by reason of their nature or quantity are, or may be, sufficient either alone or by interaction with other substances, to cause fire or explosion or be injurious in any other way to the Waste Disposal System or to the

operation of the Waste Disposal System. At no time shall two successive readings on an explosion hazard meter, at the point of discharge into the system (or at any point in the system), be more than five percent (5%) nor any single reading over ten percent (10%) of the Lower Explosive Limit (LEL) of the meter. Prohibited materials include, but are not limited to, gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides, hydrides and sulfides and any other substances in concentrations which the District, the State or EPA has identified or hereafter identifies as a fire hazard or a hazard to the system.

3. Solid or viscous substances which may cause obstruction to the flow in a sewer or other interference with the operation of the Waste Disposal System including, but not limited to, garbage (other than properly shredded garbage) containing particles greater than one-half inch (1/2") in any dimension, animal guts or tissues, paunch manure, bones, hair hides or fleshings, entrails, whole blood, feathers, ashes, cinders, sand, spent lime, stone or marble dust, metal, glass, straw, shavings, grass clippings, lettuce, rags, spent grains, spent hops, waste paper, wood, plastics, gas, tar, asphalt residues, residues from refining or processing of fuel or lubricating oil, mud, glass grindings or polishing wastes.

4. Any wastewater having a pH less than 6.0 or higher than 9.0, as determined from the average of at least four (4) grab samples taken at least one hour apart and measured instantaneously, or having a pH lower than 5.0 or higher than 10.0 for any single grab sample, or wastewater having any other corrosive property capable of causing damage or hazard to structures, equipment, and/or personnel of the Waste Disposal System.

5. Any wastewater containing toxic Pollutants in sufficient quantity, either singly or by interaction with other Pollutants, to injure or interfere with any wastewater treatment process, which constitute a hazard to humans or animals, which create a toxic effect in the receiving waters of the wastewater facilities, or which exceed the limitation set forth in a National Categorical Pretreatment Standard.

6. Any wastewater having a temperature which will inhibit biological activity in the wastewater treatment plant or result in the interference with the operations of such facility, but in no case wastewater with a temperature at the designated control point or sample well which exceeds 65°C (150°F) or which causes the temperature of waste at the entrance to the wastewater treatment plant to exceed 40°C (104°F). In addition, no wastewater with such a temperature that will cause the temperature of wastewater at the entrance to the wastewater treatment plant to rise more than 10°F per hour.

7. Any Pollutants, including oxygen demanding Pollutants released at a flow rate and/or Pollutant concentration which will cause interference to the Waste Disposal System. No slug discharges are allowed.

8. A volume of flow which will cause the influent flow to the Waste

Disposal System to exceed 1.5 times the average dry weather flow rate for a period longer than one hour. The design and installation of surge basins shall be subject to the review and approval of the District and to the requirements of all applicable laws.

9. Waste containing B.O.D. or suspended solids in excess of 200 mg/l, or ammonia in excess of 35 mg/l, based on a grab sample, unless a variance is first obtained from the District. B.O.D. or suspended solids in monthly average concentrations above 200 mg/l, and ammonia in a monthly concentration above 35 mg/l, shall be subject to payment of Commercial Waste Charges pursuant to Section VIII herein.

Discharges prohibited by the foregoing parameters include, but are not limited to, slugs and materials which exert or cause: excessive discoloration or concentrations of suspended solids, B.O.D., C.O.D., or chlorine demands in excess of the ability of the Waste Disposal System to treat adequately and dispose of such waste in compliance with applicable regulatory requirements.

B. Chemical Discharges. The following chemicals shall not be admissible into the Waste Disposal System:

1. Cyanide or cyanogen compounds capable of liberating hydrocyanic gas upon acidification when present in concentrations in excess of 0.5 mg/l by weight as cyanide (CN);
2. Fluorides other than those contained in the local public water supply for the area which is the source of the discharge;
3. Gasoline, cleaning solvents, benzene, naphtha, fuel oil, or other flammable or explosive liquids, solids, or gases;
4. Substances causing C.O.D. in excess of 500 mg/l for any daily composite sample or 1,000 mg/l for any grab sample;
5. Acids or alkalis having pH values lower than 6.0 or higher than 9.0, iron pickling wastes, or concentrated plating solutions whether neutralized or not;
6. Grease, whether emulsified or not, containing substances which may solidify or become viscous at temperatures between 32 degrees and 150 degrees Fahrenheit (0 degrees and 65 degrees Centigrade) or which exceeds on analysis an average of 100 mg/l of soluble matter;
7. Dissolved sulfides whose concentrations exceed 30 mg/l;
8. Radioactive materials or isotopes of such half-life or concentrations which will permit a transient concentration higher than the maximum allowable as specified by the governing standards of all local, State and federal regulatory authorities;
9. Any other corrosive, explosive, malodorous, or objectionable chemicals in

liquid, solid, or gaseous form.

C. Heavy Metals and Toxic Materials. The following metals and toxic materials shall not be admissible into the District's Waste Disposal System:

1. Objectionable or toxic substances exerting an excessive chlorine requirement to such a degree that any such material received in the composite waste at the wastewater treatment plant exceeds the limits established from time to time by the District for such materials.

2. Obnoxious, toxic, or poisonous solids, liquids, or gases in quantities sufficient to violate the provisions of this Part III hereof.

3. Any substance having corrosive properties capable of causing damage or hazard to structures, equipment, or personnel operating the Waste Disposal System.

4. All waste or other substances containing phenols, hydrogen sulfide, or other taste or odor producing substances exceeding the concentration limits established from time to time by the District or which, after treatment of the composite waste, exceeds applicable regulatory requirements.

5. Antimony, beryllium, bismuth, boron, cobalt, molybdenum, tin, uranyl ion, uranium, rhenium, strontium, tellurium, and such other heavy metals as may be prohibited by the District.

6. The following heavy metals or the salts thereof in solution or suspension which upon analysis by Standard Methods exceed the concentrations listed below:

Not to Exceed (mg/l)

Monthly Daily Grab Metal Average Composite Sample

Arsenic 1.000
Barium 5.000
Cadmium 0.083
Chromium 5.000
Copper 0.600
Lead 0.400
Manganese 2.000
Mercury 0.0005

1.500 3.000 7.500 15.000
0.125 0.250 7.500 15.000
0.900 1.800 0.600 1.200
3.000 6.000 0.0010 0.002

Nickel	5.000	7.500	15.000
Selenium	0.467	0.700	1.400
Silver	0.050	0.050	0.100
Zinc	2.000	3.000	6.000

7. Any other heavy metals or toxic materials except upon the conditions of pretreatment, concentration, volumes, and other applicable standards prescribed by the District or by applicable statutes, laws, rules, or regulations.

D. Solid Waste. No person may discharge solid waste into the Waste Disposal System unless it is properly shredded garbage. The District may review and approve the installation and operation of any garbage grinder equipped with a motor of three-fourth (3/4) horsepower (0.76 H.P. metric) or greater.

IV. MINIMUM PRELIMINARY TREATMENT CRITERIA
FOR COMMERCIAL WASTE

It is not the intent of this Wastewater Control Order to cover all the possibilities for types of businesses that could potentially discharge wastes that can be adverse to the Waste Disposal System. However, the common commercial enterprises found in the vicinity of residential neighborhoods have been considered.

1. Gasoline Sales/Car Repair. All floor drains in shop areas shall include a combination mud and grease trap similar to City of Houston Dwg. 359-S-1. All flows into these drains should subsequently be treated in a specially designed oil separator with positive means for oil and grease removal. A 48-hour detention grease trap (minimum 1,500 gallons) or a corrugated plate pack separator will provide such treatment. No drainage shall be pumped with a centrifugal pump prior to oil and grease separation. The traps shall be cleaned at least once a month. Safeguards shall be taken against contamination of groundwater due to leakage from fuel

tanks. All piping and tankage for both oil and grease pretreatment facilities and product storage shall be of double wall construction and shall include integral leak detection monitors to preclude contamination of groundwater.

2. Car Wash Facilities. All car wash facilities shall recycle the maximum amount of wash water through the best commercially available systems and install a mud/grease trap for each drain followed by 96-hour detention gravity grease separation (minimum 1,500 gallons) or a corrugated plate pack separator. Mud, sludge, and grease removal shall be required at least once a month. If the car wash facility has gasoline pump(s), then the car wash facility must also have floor drains to include a mud and grease trap similar to City of Houston Dwg. 359-S-1. All flows into these drains should subsequently be treated in a specifically designed oil separator with positive means for oil and grease removal. Traps shall be cleaned at least once a month. Safeguards shall be taken against contamination of groundwater due to leakage from fuel tanks. All piping and tankage for both oil and grease pretreatment facilities and product storage shall be double wall

3. Food Service/Grocery Stores. Restaurants, meat markets, grocery stores, and other establishments dealing with the sale of unprocessed or cooked foods shall be prohibited from using garbage grinders, shall require grease traps (minimum 1,500 gallons), shall install an inspection manhole for sampling, and shall insure that scrap food and grease are collected in sealed containers and hauled away for reprocessing. Grease traps shall be cleaned a minimum of once a month.

4. Printing and Photoprocessing. Printing and photo-processing facilities shall install a ground water monitoring well and shall discharge only domestic waste from sinks and restrooms. All printing and photoprocessing chemicals shall be collected in sealed containers and hauled away for reprocessing.

5. Laundry/Dry Cleaning. Laundry and dry cleaning facilities shall install a ground water monitoring well and shall incorporate a lint trap system equivalent to two City of Houston Dwg. 533-S units in series, providing a minimum of 3,000 gallons of capacity. Cleaning of the lint trap is required at least once a month.

6. Landscaping/Nurseries. Landscaping and nurseries that use herbicides and pesticides shall install a ground water monitoring device and shall only discharge domestic waste from sinks and restrooms.

7. Discharge of Waters or Wastes Containing Toxic or Poisonous Substances; Submission of Written Statement. Where the operation of a person, firm, or corporation entails the discharge of water or wastes containing toxic or poisonous substances, a written statement setting forth the nature of the operation contemplated or presently carried on shall be filed with the District. The statement shall specify the amount of water that will be used and its source, the proposed point of discharge of wastes into the Waste Disposal System of the District, and the estimated amount to be discharged; the statement shall include a laboratory statement setting forth the expected bacterial, physical, chemical, and other known characteristics of said wastes. Within thirty (30) days from receipt of such statement, the District shall issue an order stating

minimum restrictions necessary in the judgment of the District's Engineer to protect the District's systems.

Where pretreatment or control is required by the District, it shall review and approve the design and installation of the equipment and processes in conformity with all applicable laws and regulatory requirements. Any person responsible for discharges requiring such pretreatment or control facilities shall provide and maintain such facilities in effective operating conditions.

V. TRAPS; INTERCEPTORS

Grease, oil, and sand interceptors shall be provided for the proper handling of liquid wastes containing grease in amounts that will impair the proper functioning of any sanitary sewer line and for preventing any flammable wastes, sand, and other harmful ingredients from entering into the sanitary sewers. Interceptors shall not be required for premises used exclusively as private living quarters or dwelling units. All interceptors shall be of a type and capacity approved by the District and shall be located as to be readily and easily accessible for cleaning and inspection.

Grease and oil interceptors shall be constructed of impervious materials capable of withstanding abrupt and extreme changes in temperature. They shall be of substantial construction, watertight, and equipped with easily removable covers which when bolted in place shall be gas-tight and watertight. Where installed, all grease, oil, and sand interceptors shall be maintained by the owner, at his expense, in continuously efficient operation at all times. Any facility with a mud and grease trap or grease trap or pretreatment system shall be required to remove grease, grit, sludge, or other residue at least once a month and shall maintain records at the site of the date, time, name of hauler, volume removed, destination, waste hauling permit number, and a copy of a hauler's manifest. Records shall be available for inspection by District's representatives during normal working hours. A facility not complying shall be subject to having water service terminated until the facility is brought into compliance.

VI. SAMPLING; TESTING; INSPECTION; RIGHT OF ENTRY

A. Control Manholes: Installation, Location, and Maintenance. The owner of any property served by a sewer carrying Commercial Waste shall install a suitable control manhole in the sewer to facilitate observation, sampling, and measurement of the wastes. Such manhole shall be accessible and safely located and shall be constructed in accordance with plans approved by the District Engineer. The manhole shall be installed by the owner at his expense and shall be maintained by him so as to be safe and accessible at all times.

Owners of property served by a sewer carrying Commercial Waste and required to install a suitable manhole pursuant to this Article VI hereof and receiving water and sanitary sewer service from the District on the initial effective date of this Wastewater Control Order shall have 180 days from the initial effective date to install a suitable control manhole. Failure to install the manhole within 180 days as described herein shall result in the termination of water and sewer service to the property. All new connections served by a sewer carrying Commercial Waste shall have a suitable control manhole installed prior to receiving water and sewer service from the

District.

B. Sampling/Testing. The District or its duly authorized agent or representative may enter at all reasonable times any lands or premises served or proposed to be served by the Waste Disposal System for the purposes of carrying out and determining compliance with the provisions hereof.

After the effective date hereof and upon completion of the installation of a suitable control manhole pursuant to Section VI(A) hereof, the Operator for the District shall conduct an initial test which shall consist of a minimum of one (1) grab sample and a maximum of three (3) grab samples, as determined by the District's Operator, from the control manhole of all sewers carrying Commercial Waste. If the results of the grab samples indicate that the waste being discharged into

In the event the grab samples indicate that the waste being discharged into the Waste Disposal System is in violation of this Wastewater Control Order, then the owner of the property shall be notified and shall be required to submit a plan for the satisfactory correction of the violation in accordance with Subsection C of this Section, unless the violation presents an imminent danger to the health or welfare of the public, then service shall be terminated in accordance with Article IX hereof. The cost for all additional testing conducted as a result of the violation shall be billed to the commercial Customer, and failure to pay such cost will result in the termination of water and sewer service.

Sampling and testing shall be conducted on connections carrying Commercial Waste in accordance with customarily accepted methods, reflecting the effects of constituent wastes upon the Waste Disposal System and the existence of hazards to health, life, limb, or property. Examination and analysis of the characteristics of water and waste shall be conducted in accordance with Standard Methods or such other manual of operation as the District may adopt from time to time in accordance with the latest rules of the Texas Commission on Environmental Quality, formerly the Texas Natural Resource Conservation Commission, and shall be determined from suitable samples taken at control points selected by the District. The cost to take and analyze such samples shall be added to the Customer's water and sewer service bill, and failure to pay for such sample will result in the termination of the Customer's water and sewer service.

C. Notification of Violation/Submission of Plan. Whenever the District finds that any Customer has violated or is violating this Wastewater Control Order, except when such violation presents an imminent danger to the health or welfare of persons, as provided in Article IX, the District shall serve upon such person a written notice stating the nature of the violation. Within a period of not more than thirty (30) days from the date of the notice, as specified therein, a plan for satisfactory correction thereof shall be submitted in writing to the District. If such a plan is not timely submitted, or if such violation is not corrected, the District shall proceed with enforcement under Article XII. No prior notice shall be required for the imposition of the fine described in Article XI if such fine is assessed for a violation of this Wastewater Control Order.

VII. SUPERVISION

If the District or its designated representative determines that a discharge or a proposed discharge into the Waste Disposal System may deleteriously affect the Waste Disposal System or receiving waters, or create a hazard to life or health, or create a public nuisance, it may require:

- A. Discontinuation of the discharge into the District's sewer system in its entirety.
- B. Pretreatment to an acceptable condition for discharge into the Waste Disposal System.
- C. Control over the quantities and rates of discharge.
- D. Waste surcharge payments sufficient to compensate the District for the cost of handling and treating the waste.

VIII. COMMERCIAL WASTE CHARGES

In addition to the wastewater service charges made by the District, the District may charge customers discharging commercial waste into the Waste Disposal System the Commercial Waste Charges provided for herein where the waste discharge exceeds the parameters of normal domestic wastewater.

1. The Commercial Waste Charge shall be calculated by the following formula: $UC = Q[X + Y(BOD - 200) + Z(SS - 200) + n(N - 35)]$ Formula values are: UC = Commercial Waste Charge (in dollars) Q = Billable quantity (based on water billed or actual measurement of Wastewater discharged) of wastewater in thousands of gallons. X = \$0.50 Y = \$0.0018 Z = \$0.0022 n = \$0.0125 BOD = Five-day, twenty (20) degrees celsius, biochemical oxygen demand content of the waste delivered, in mg/l based on monthly average concentration. SS = Suspended solids content of the waste delivered, in mg/l based on monthly average concentration. N = Ammonia content of the Waste delivered, in mg/l based on monthly average concentration. The District shall review and, if appropriate, adjust the Commercial Waste Charges to reflect changes in the characteristics of the commercial waste of each user based upon the results of sampling and testing. The District also shall review the basis for determining Commercial Waste Charges and shall adjust the unit treatment costs in the above formula to reflect increases or decreases in the wastewater treatment costs based upon the prior experience. Increases in Commercial Waste Charges shall continue for six (6) billing periods unless subsequent tests determine that the charges should be further increased. If another method of billing is determined by the District's Board to be a more effective method of allocating such costs to the Customer, based upon the particular facts of each case, the District may use such method in lieu of the above. The Commercial Waste Charges will be billed as a separate item from wastewater service charges. Failure to pay the Commercial Waste Charge shall result in termination of water and sewer service pursuant to provisions of the District's Order Adopting Consolidated Rate Order and Rules and Regulations; Establishing Policy Regulating Water Use During Emergencies; Establishing a Wastewater Control Order; Establishing Certain Other Policies; and Providing Penalties for Violation Thereof.

IX. EMERGENCY RELIEF

The District may immediately suspend the wastewater treatment service of a user when such suspension is necessary, in the opinion of the Board of the District, in order to stop or prevent an actual or threatened discharge that presents an imminent or substantial endangerment to the health or welfare of persons, to the environment, or to the Waste Disposal System of the District, or which would cause the effluent from the plant to exceed discharge parameters. The

District may immediately suspend the wastewater treatment service of a user when such suspension is necessary, in the opinion of the Board of the District, to prevent contamination of sludge from the plant. The District shall reinstate the wastewater service upon proof of the elimination of the non-complying discharge. Such disconnection and reconnection shall be at the expense of the user. The District may permanently disconnect any user showing a history of flagrant or habitual violation of this Wastewater Control Order.

X. REVIEW

Any user objecting to a decision or order of the District under authority of this Wastewater Control Order shall have the right to a hearing before the Board of the District, at which time the contentions of both the District and user shall be reviewed. The Board President, or in his absence the Vice President, shall be the presiding officer and may, at his discretion, request other professional opinions prior to rendering his decision on the matter of review.

XI. PENALTY FOR VIOLATION OF ARTICLE

All violations of this Wastewater Control Order, including any failure to observe any discharge parameter set forth herein or permit issued pursuant to this Wastewater Control Order, shall be punishable with the Civil Penalties set forth in and under the Enforcement Provisions of the District's Rate Order and as set forth in Article XII of this Wastewater Control Order. Each day of a violation of any parameter or requirement constitutes a distinct and separate offense.

XII. ENFORCEMENT

Any or all of the following remedies may be employed by the District to abate and prevent any violation of the provisions of this Wastewater Control Order:

1. Discontinuance of water service.
2. Disconnection and sealing of sanitary sewer connection.
3. The District's attorney may and is hereby authorized to:
 - (a) File suit in a court of competent jurisdiction to secure appropriate judicial relief, including, but not limited to, injunctive relief and the penalty provided in the District's Rate Order for the violation by such user of the provisions of this Wastewater Control Order.
 - (b) Seek a resolution of the Board authorizing the filing of a lawsuit under the provision of Texas Water Code §26.124.

4. A user found in violation of this Wastewater Control Order shall be liable to the District for all expenses borne by the District including laboratory fees, legal fees, engineering fees and other costs incurred by the District in establishing the violation and resolving the cause of the violation.

5. A user found in violation of this Wastewater Control Order that causes or contributes to a violation by the District's Waste Disposal System of effluent parameters shall be liable to the District for all expenses borne by the District, including legal and engineering fees related to any lawsuit filed by federal, state, or local authorities regarding violations by the District of effluent parameters applicable to the District's sanitary sewer system.

6. Where a user discharges wastewater to the District's Waste Disposal System in violation of this Wastewater Control Order and such discharge causes or contributes to contamination of sludge from the wastewater treatment plant, the user shall be liable for all costs borne by the District in disposing of the contaminated sludge over and above costs regularly incurred in sludge disposal.

XIII. SEVERABILITY

All orders or parts of orders in conflict herewith are hereby repealed to the extent of such conflict. The invalidity of any section, clause, sentence, or provision of this Wastewater Control Order shall not affect the validity of any other part or parts of this Wastewater Control Order, which other part or parts shall be given effect as though such invalid section, clause, sentence, or provision were omitted.

XIV. SUPERSEDING REGULATION OR STATUTE

Whenever any applicable statute, regulation, or permit of any state, federal, or other agency having jurisdiction over the subject matter of this Wastewater Control Order is in conflict with this Wastewater Control Order, the stricter requirement shall apply, unless mandated otherwise.

XV. REIMBURSEMENT TO DISTRICT

In the event that any person, as defined in Section II herein, discharges industrial wastes as defined in this Wastewater Control Order, either with or without authorization by the District, such person shall be responsible for any extraordinary costs of operation of the wastewater treatment plant that might result from unauthorized wastes or improper handling of authorized wastes and shall also be responsible for any administrative fines, penalties or fees that may be assessed to the District for such discharge. Such charges may include, but not be limited to, the costs of determining the nature of the contaminant into the plant (a Toxicity Identification Evaluation), the costs of locating the source of the contaminant, and the costs of preventing the contaminant from entering the plant or eliminating the contaminant from the treatment units. Failure to pay such costs when billed may subject the entity to disconnection of services as set forth in Section XII above and to any other remedies available to the District.

XVI. EFFECT OF REGULATION; AMENDMENT

The provisions hereof are to be deemed and construed as regulatory requirements supplementary and in addition to all laws, rules, regulations, ordinances, or licenses now in effect or hereafter passed, adopted, or promulgated by any regulatory agency, federal, state, or local,

having jurisdiction over the District's Waste Disposal System. The provisions hereof are subject to amendment, repeal, or alteration from time to time by the Board of Directors of the District.

APPENDIX D

All littering and illegal dumping are prohibited within or near District property, which includes but shall not be limited to lakes, ponds, creeks, drainage easements or detention ponds within the District in order to protect the public health, safety and welfare of the District's citizens. Pursuant to Chapter 365 of the Health and Safety Code, litter shall include but not be limited to paper, cartons, wood, furniture, rubber, plastics, yard trimmings, glass, aluminum cans, machinery, tires, scrap metal, and building or construction materials. Illegal dumping includes disposing of litter at a place that is not approved as a solid waste disposal site or on public or private property. Any person(s) found to be in violation of this provision shall be subject to all penalties as are provided by law and such other penalties provided for in this Rate Order.

APPENDIX E

CONDITIONS OF SERVICE TO MULTIFAMILY RESIDENTIAL DEVELOPMENT

ARTICLE 1

STANDARDS OF CONSTRUCTION, OPERATIONS, AND TAX EXEMPTION

1.1 **Construction Standard.** Any multi-family residential development constructed on the Property (more particularly described in Exhibit "A", attached hereto) shall be constructed as a Class A multifamily residential development, as "Class A" is defined by the Harris County Appraisal District (the "Construction Standard"). Developer stipulates that the Harris County Appraisal District defines "Class A" multifamily residential development to be a multifamily residential development which contains the following characteristics:

- (a) Built to or near investment grade standards and at the most desirable location (Developer stipulates that the Property is a "most desirable location");
- (b) Contains amenities that are typically considered top of the line, such as some or all of the following: pools, tennis courts, pets accepted, alarms, entrance gates/guards, clubhouses, security patrol, etc.); and
- (c) Consisting of buildings of two (2) or more stories.

The Construction Standard in this Section 1.1 shall be satisfied by:

- (a) Approval by the District of the Multifamily Residential Amenity Form (the "Amenity Form") certified by the Developer and filed with the District, attached hereto as Exhibit "B".
- (b) Certification by the Developer's Architect that all proposed amenities on the Amenity Form are included in final construction plans for the development of the Property and;
- (c) Certification by the Developer's Architect that the amenities on the Amenity Form have in fact been constructed.

In the event the District determines that any certifications hereunder are not correct, the District may consider such an event as a violation of the Standards, the utility commitment issued by the District with respect to the Property (the "Utility Commitment"), and the Rate Order.

1.2 **Operations Standard.** Developer covenants and agrees that the multi-family residential development constructed on the Property will be operated following construction as a "Class A" multifamily residential development, as set forth hereinabove, and that all of the amenities and services will be maintained during the term of these Standards.

1.3 **No Tax Exemption Standard.** Developer has previously executed a Waiver of Special Appraisal (the "Waiver") with respect to the Property, the expectation of the continuation of which throughout the term of these Standards has been relied upon by the District. In

furtherance of the Waiver, Developer covenants and agrees that the multi-family residential development constructed on the Property will be constructed and operated without the use or benefit of any tax exemption or tax subsidy, including low income housing tax credits. This Paragraph 1.3 is not intended to discriminate against any person or group because of race, ethnicity, color, creed, national origin, or sexual orientation, but is intended to maintain the ad valorem tax value and the income upon which the request for annexation, the Utility Commitment to serve the Property and/or approval of the agreement by the District to purchase utility facilities from the Developer was granted. Moreover, Developer must abide by the restrictions included in the current annexation policy

1.4 **Definition.** The Construction Standard, Operating Standard, and No Tax Exemption Standard shall be collectively known as the "Standards".

1.5 **Change in Use.** In the event the Property is not developed for or is no longer used for multifamily residential purposes and is developed or used for any purpose permitted by the District's Order Amending Consolidating Order Regarding Water and Sewer Connections, Rates and Use adopted by the District (the "Rate Order") as it may be amended from time to time, Amended and Restated Policy, Procedures and Application for Water and Sewer Service, Annexation and/or Developer Reimbursement (the "Service Policy"), these Restrictions shall be of no force or effect upon the issuance by the District of a utility commitment for the new use of the Property or any portion of the Property affected by the change in use.

ENFORCEMENT

2.1 **Enforcement.** The District has the power to enforce the Standards. The District may prosecute in the appropriate court a suit at law or in equity to prevent any violation or attempted violation of the Standards and to recover the damages for any violation or attempted violation including, but not limited to, reasonable attorney's fees. The District shall give at least thirty (30) days notice to the Property owner of any violation and the steps required to correct it prior to taking any action to cure such violation under this section.

2.2 **Rate Order Violation.** Failure to construct or operate the Property in accordance with the Standards shall be a violation of the Utility Commitment delivered by the District to the Developer and may be enforced by the District as a violation of the terms of the Utility Commitment with respect to the Property and the Rate Order, which may include denial or termination of water utility service to the Property or any portion thereof.

2.3 **Tax Exemption.** Utility service to the Property may be terminated upon the granting by the Harris Central Appraisal District or other appropriate agency to any owner of the Property or any portion of the Property a Tax Exemption (as defined in the Waiver) of any kind, except: (a) a homestead exemption to the extent the District grants a homestead exemption for similarly situated taxpayers in the District in the event the Property becomes a condominium or other individually owned residential property or (b) with prior written consent from the District.

III.

MISCELLANEOUS PROVISIONS

3.1 Standards to Run With the Land. The foregoing Standards are adopted as part of and shall apply to each and every portion of the Property. Such Standards are equally for the benefit of all subsequent owners of parcels of the Property or any portion thereof, and accordingly, shall be covenants running with the land.

3.2 Term and Amendment. The term of the Standards shall be from the issuance of the Utility Commitment for record in Harris County, Texas, for a period of twenty-five (25) years, and shall then terminate. The Standards may be amended from time to time by Developer, provided Developer still retains ownership of at least fifty-one (51%) percent of the land area in the Property. If Developer owns less than fifty-one (51%) percent of the percentage ownership, amendments may only be made by majority vote of the property owners as set forth above. Notwithstanding the foregoing, no amendment or modification by Developer before termination or any successor to Developer shall be effective without the advance written consent of the District.

3.3 Severability. Invalidation of any one of the Standards contained in this document, by judgment or court order, shall in no way affect any of the other provisions hereof which shall remain in full force and effect.

3.4 Consent to Standards. Every person who now or hereafter owns or acquires any right, title or interest in or to any of the Property shall be conclusively deemed to have consented and agreed to every covenant, condition, and standard contained herein, whether or not any reference to the Utility Commitment is contained in the instrument by which such person acquires an interest in the Property.

3.5 Other Applicable Laws. Notwithstanding the provisions contained herein, all development on the Property shall be in accordance with all applicable local, state, and federal laws.

3.6 Purpose. The sole purpose of these Standards is to sustain taxable property values in the District, pursuant to the authority granted the District in Chapter 54, Section 54.237 of the Water Code.

3.7 Application. The Standards shall apply to the Property whether it is the subject of annexation into the District, or a new service request.

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EXECUTED to become effective upon recording in the Official Public Records
of Real Property of Harris County, Texas.

DEVELOPER

_____, a _____

By: _____
_____, President

THE STATE OF TEXAS

§

COUNTY OF HARRIS

§

§

Before me on this day, personally appeared _____, proved to me to be
the person and the President whose name is subscribed to the foregoing instrument and
acknowledged to me that the instrument was the act of _____ a _____
_____, and that he executed the instrument as the act of said _____ for the
purposes and consideration expressed therein, by proper authority, and in the capacity
stated in the instrument.

Given under my hand and seal of office this _____ day of _____, 2018.

Notary Public in and for the State of Texas

After recording return to:
Harris County MUD 368
Johnson Petrov LLP
2929 Allen Parkway, Suite 3150
Houston, Texas 77019
Attention: Mirna Croon
713-489-8977

Exhibit A to Appendix E
Property Description

Exhibit B to Appendix E
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368
MULTI-FAMILY RESIDENTIAL AMENITY FORM

Name of Development: _____ (the
"Project")

Location: _____ (see attached for legal
description)

A. Pre-Development Submittal Checklist to be submitted with Amenity Form:

1. Site Plan (to include)

- Project Name
- Location
- Unit Count
- All buildings and amenities

2. Building Renderings

Select all proposed Amenities for the Project from the list below and add any
Amenities necessary:

Amenity Check List:

- _____ Outdoor resident and guest lobby with conversational seating
- _____ Pool
- _____ Courtyard with outdoor dining and grilling areas
- _____ Dog Walk
- _____ Pet Washing Station
- _____ Screening Room with HDTV (Media Room)
- _____ Fitness Center
- _____ Controlled-access garage (Number of parking spaces: _____)
- _____ Car Charging Stations (Number of charging stations: _____)
- _____ Car Wash Station
- _____ Online payments available
- _____ Covered Parking (Number of spaces: _____)
- _____ Front door garbage pickup
- _____ Outdoor media lounge
- _____ Security Patrol/Services
- _____ Basketball Court
- _____ Concierge Services
- _____ Coffee Lounge
- _____ Clubhouse
- _____ Pets Allowed
- _____ Play Ground
- _____ Tennis Court (Number of courts: _____)
- _____ Jogging Trail
- _____ Private Garages (Number of garages: _____)
- _____ Storage Units (Number of storage units: _____)

Developer Certification:

The Developer hereby certifies that the Project will be a Class-A multi-family development built in accordance with the submitted site plan and that all proposed amenities selected above will be constructed or under construction prior to occupancy of first unit and that all of the amenities listed on this Amenities Form will be offered and operated in accordance with the Restrictions. The Developer will not make any material changes in its plan of development, as set forth on the submitted site plan, affecting either the number of buildings in the development or the offered amenities without first obtaining written approval from the District. Developer certifies that true and complete copies of the required documents are attached hereto and the representations and warranties made by the Developer in the documents are true and correct.

Developer

By: _____

Name:

Title:

Dated: _____

District Approval of Plans:

Execution of this document by the District shall evidence the District's approval of Developer's plans and specifications and shall confirm the District's agreement that said plans and specifications satisfy the District's requirement for construction of a Class A multi-family residential development, subject to the enforcement provisions of the Restrictions.

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 368**

By: _____

Name:

Title:

Dated: _____

Architect Design Certification:

I, the undersigned, am the Architect for the Project and I hereby certify the Project was designed by me or a person under my supervision and that all amenities included in the Amenity Form are included in the design and are in the final construction drawings as identified in the site plan attached hereto.

Architect

By:

Name:

Title:

Dated:

Architect Construction Certification:

I, the undersigned, am the Architect for the Project and I hereby certify that the Project has been constructed substantially in accordance with the construction plans certified above and all Amenities listed on the Amenity Form have been constructed.

Architect

By:

Name:

Title:

Dated:

POLICY REGULATING WATER CONSERVATION AND DROUGHT CONTINGENCY PLAN

Amended September 5, 2019

Section I: Declaration of Policy. Purpose and Intent

In order to conserve the available water supply and protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, Harris County Municipal Utility District No. 368 (the "District") hereby adopts the following regulations and restrictions on the delivery and consumption of water.

Water uses regulated or prohibited under this Water Conservation and Drought Contingency Plan (the "Plan") are considered to be non-essential and continuation of such uses during times of water shortage or other emergency water supply condition are deemed to constitute a waste of water which subjects the offender(s) to penalties as defined in Section XI of this Plan.

Section II: Public Involvement

Opportunity for the public to provide input into the preparation of the Plan was provided by the District by means of posting of the Board of Directors (the "Board") meeting agenda at the regularly designated posting locations.

Section III: Public Education

The District will periodically provide the public with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of publication of public notice, notification of homeowner's association, signs at major intersections and any other method of communication the Board mandates.

Section IV: Coordination with Regional Water Planning Groups

The service area of the District is located within Region H. The District has provided a copy of this Plan to Region H, the North Harris County Regional Water Authority, and the Harris-Galveston Subsidence District.

Section V: Authorization

The Board or its designee is hereby authorized and directed to implement the applicable provisions of this Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. The Board or its designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in this Plan.

Section VI: Application

The provisions of this Plan shall apply to all persons, customers, and property utilizing water provided by the District. The terms "person" and "customer" as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.

Section VII: Definitions

For the purposes of this Plan, the following definitions shall apply:

Aesthetic water use: water use for ornamental or decorative purposes such as fountains, reflecting pools, and water gardens.

Authority: North Harris County Regional Water Authority.

Authority Plan: the Drought Contingency Plan of the Authority.

Board: the Board of Directors of Harris County Municipal Utility District No. 368.

Commercial and institutional water use: water use which is integral to the operations of commercial and non-profit establishments and governmental entities such as retail establishments, hotels and motels, restaurants, and office buildings.

Conservation: those practices, techniques, and technologies that reduce the consumption of water, reduce the loss or waste of water, improve the efficiency in the use of water or increase the recycling and reuse of water so that a supply is conserved and made available for future or alternative uses.

Customer: any person, company, or organization using water supplied by the District.

District: Harris County Municipal Utility District No. 368.

Domestic water use: water use for personal needs or for household or sanitary purposes such as drinking, bathing, heating, cooking, sanitation, or for cleaning a residence, business, industry, or institution.

Even number address: street addresses or box numbers ending in 0, 2, 4, 6, or 8 and locations without addresses.

Industrial water use: the use of water in processes designed to convert materials of lower value into forms having greater usability and value.

Landscape irrigation use: water used for the irrigation and maintenance of landscaped areas, whether publicly or privately owned, including residential and commercial lawns, gardens, golf courses, parks, and rights-of-way and medians.

Non-essential water use: water uses that are not essential or required for the protection of public, health, safety, and welfare, including:

- (a) irrigation of landscape areas, except otherwise provided under this Plan;
- (b) use of water to wash any motor vehicle motorbike, boat, trailer, airplane or other vehicle;
- (c) use of water to wash down any sidewalks, walkways, driveways parking lots, tennis courts, or other hard-surfaced areas;
- (d) use of water to wash down buildings or structures for purposes other than immediate fire protection;
- (e) flushing gutters or permitting water to run or accumulate in any gutter or street;
- (f) use of water to fill, refill, or add to any indoor or outdoor swimming pools or Jacuzzi-type pools;
- (g) use of water in a fountain or pond for aesthetic or scenic purposes except where necessary to support aquatic life;
- (h) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s); and
- (i) use of water from hydrants for construction purposes or any other purposes other than fire fighting.

Odd numbered address: street addresses or box numbers ending in 1, 3, 5, 7, or 9.

Production Capacity: the quantity of water that the District's water system is capable of supplying to its customers on a daily basis.

Utility Personnel: authorized employee(s) of the operator or engineer of the District's water and sewer systems.

Section VIII: Criteria for Initiation and Termination of Drought Response Stages

The Board or its designee shall monitor water supply and/or demand conditions on a monthly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan, that is, when the specified "triggers" are reached.

The triggering criteria described below are based on the monitoring of daily consumption as a percentage of total available water supply. The total available water supply includes groundwater sources and the District's contractual obligation with the North Harris County Regional Water Authority for their surface water allotment.

Stage 1 Triggers -- MILD Water Shortage Conditions

Requirements for initiation

Customers shall be requested to voluntarily conserve water and adhere to Stage 1 - MILD Water Shortage Conditions certain water uses, defined in Section IX – Drought Response Stages, when the Authority implements a Stage 1 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds eighty-five percent (85%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 1 of the Plan may be rescinded when the condition listed as triggering events have ceased to exist for a period of five (5) consecutive days.

Stage 2 Triggers -- MODERATE Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions of Stage 2 - MODERATE Water Shortage Condition described in Section IX of this Plan, when the Authority implements Stage 2 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds ninety percent (90%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator. Requirements for termination Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Requirements for termination

Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 2, Stage 1 becomes operative.

Stage 3 Triggers -- SEVERE Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 3 - SEVERE Water Shortage Conditions of this Plan, when the Authority implements Stage 3 Water Shortage, as described in the Authority Plan or demand on the District's water supply facilities reaches or exceeds ninety-five percent (95%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 3 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 3, Stage 2 becomes operative.

Stage 4 Triggers - CRITICAL Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions on certain non-essential water uses for Stage 4 - CRITICAL Water Shortage Conditions of this Plan, when the Authority implements a Stage 4 Water Shortage, as described in the Authority Plan, or demand on the District's water supply facilities reaches or exceeds hundred percent (100%) of the production capacity of such facilities for five (5) consecutive days as determined by the District's Operator.

Requirements for termination

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of five (5) consecutive days. Upon termination of Stage 4, Stage 3 becomes operative.

Stage 5 Triggers -- EMERGENCY Water Shortage Conditions

Requirements for initiation

Customers shall be required to comply with the requirements and restrictions for Stage 5 - EMERGENCY Water Shortage Conditions of this Plan when the Authority implements Emergency Water Shortage under the Authority Plan or the Board or its designee, determines that a water supply emergency exists based on:

1. Major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability to provide water service; or
2. Natural or man-made contamination of the water supply source(s).

Requirements for termination

Stage 4 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of twenty-four (24) hours.

WATER ALLOCATION

Requirements for initiation

Customers shall be required to comply with the water allocation plan prescribed in Section IX of this Plan and comply with the requirements and restrictions for Stages of this Plan immediately when an Emergency Water Supply condition exists.

Requirements for termination

Water allocation may be rescinded when all of the conditions listed as triggering events have ceased to exist for a period of three (3) consecutive days.

Section IX: Drought Response Stages

The Board or its designee, shall monitor water supply and/or demand conditions on a daily basis and, in accordance with the triggering criteria set forth in Section VIII of this Plan, shall determine that a mild, moderate, severe or emergency condition exists and shall implement the following notification procedures:

Notification of the Public:

The Board or its designee shall notify the public by means of:

- (a) publication in a newspaper of general circulation,
- (b) direct mail to each customer,
- (c) public service announcements,
- (d) signs posted in public places,
- (e) take-home fliers at schools, or
- (f) any other method deemed appropriate.

Additional Notification:

The Board or its designee shall notify directly, or cause to be notified directly, the following individuals and entities:

- (1) local homeowners association
- (2) all Utility Personnel will be advised of the plan and conditions in order that all Utility Personnel will be aware of their water usage during this period and responsibility.

Stage 1 Responses -- MILD Water Shortage Conditions

Target

Achieve a voluntary five percent (5%) reduction in daily water use.

Supply Management Measures

- (a) Inform the public that a trigger condition has been reached, and that they should look for ways to voluntarily reduce water use. Specific steps which can be taken will be provided through the news.
- (b) Notify major commercial water users of the situation and request voluntary water use reductions.
- (c) Publicize a voluntary lawn watering schedule.
- (d) During winter months request water users to insulate pipes rather than running water to prevent freezing.

Voluntary Water Use Restrictions

- (a) Water customers are requested to voluntarily limit the irrigation of landscaped areas to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and to irrigate landscapes only between the hours of midnight and 10:00 a.m. and 8:00 P.M. to midnight on designated watering days.
- (b) All operations of the District shall adhere to water use restrictions prescribed for Stage 1 of the Plan.
- (c) Water customers are requested to practice water conservation and to minimize or discontinue water use for non-essential purposes.
- (d) Use of new water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, splash pads or Jacuzzi-type pools. Note: recycled water is permitted.

Stage 2 Responses - MODERATE Water Shortage Conditions

Target

Achieve a 10 percent (10%) reduction in daily water use.

Supply Management Measures

- (a) Continue implementation of all relevant actions in preceding phase.
- (b) Car washing, window washing and pavement washing should be discouraged.
- (c) The following lawn schedule shall be implemented:

Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at

anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.

- (d) the following public water uses, not essential for public health or safety should be discouraged:
- (1) the washing down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - (2) use of water to wash down buildings or structures for purposes other than immediate fire protection;
 - (3) use of water for dust control;
 - (4) flushing gutters or permitting water to run or accumulate in any gutter or street;
 - (5) failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s);
 - (6) athletic field watering.

Water Use Restrictions. Under threat of penalty for violation, the following water use restrictions shall apply to all persons:

- (a) Irrigation of landscaped areas with hose-end sprinklers or automatic irrigation systems shall be limited to Sundays and Thursdays for customers with a street address ending in an even number (0, 2, 4, 6 or 8), and Saturdays and Wednesdays for water customers with a street address ending in an odd number (1, 3, 5, 7 or 9), and irrigation of landscaped areas is further limited to the hours of 12:00 midnight until 10:00 a.m. and between 8:00 p.m. and 12:00 midnight on designated watering days. However, irrigation of landscaped areas is permitted at anytime if it is by means of a hand-held hose, a faucet filled bucket or watering can of five (5) gallons or less, or drip irrigation system.
- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8:00 p.m. and 12:00 midnight. Such washing, when allowed, shall be done with a handheld bucket or a hand-held hose equipped with a positive shutoff nozzle for quick rises. Vehicle washing may be done at any time on the immediate premises of a commercial car wash or commercial service station. Further, such washing may be exempted from these

regulations if the health, safety, and welfare of the public are contingent upon frequent vehicle cleansing, such as garbage trucks and vehicles used to transport food and perishables.

- (c) Use of water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, or jacuzzi-type pools is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight.
- (d) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountain or ponds are equipped with a recirculation system.
- (e) (e) Use of water from hydrants shall be limited to fire fighting, related activities, or other activities necessary to maintain public health, safety, and welfare, except that use of water from designated fire hydrants for construction purposes may be allowed under special permit from the District.
- (f) Use of water for the irrigation of golf course greens, tees, and fairways is prohibited except on designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight. However, if the golf course utilizes a water source other than that provided by the District, the facility shall not be subject to these regulations.
- (g) All restaurants are prohibited from serving water to patrons except upon request of the patron.
- (h) The following uses of water are defined as non-essential and are prohibited:
 - 1. wash down of any sidewalks, walkways, driveways, parking lots, tennis courts, or other hard-surfaced areas;
 - 2. use of water to wash down buildings or structures for purposes other than immediate fire protection;
 - 3. use of water for dust control;
 - 4. flushing gutters or permitting water to run or accumulate in any gutter or street and
 - 5. failure to repair a controllable leak(s) within a reasonable period after having been given notice directing the repair of such leak(s).

Stage 3 Responses - SEVERE Water Shortage Conditions

Target

Achieve a fifteen percent (15%) reduction in daily water use.

Supply Management Measures

- (a) Continue implementation of all relevant actions in proceeding phase.
- (b) Only commercial businesses that utilize water in their daily operations may be waived of the preceding measures when financial hardships are placed on that business.

Water Use Restrictions. All requirements of Stage 2 shall remain in effect during Stage 3 except:

- (a) Irrigation of landscaped areas shall be limited to designated watering days between the hours of 12:00 midnight and 10:00 a.m. and between 8 p.m. and 12:00 midnight, and shall be by means of hand-held hoses, hand-held buckets, drip irrigation, or permanently installed automatic sprinkler system only. The use of hose-end sprinklers is prohibited at all times.
- (b) The watering of golf course tees is prohibited unless the golf course utilizes a water source other than that provided by the District.
- (c) The use of water for construction purposes from designated fire hydrants under special permit is to be discontinued.

Stage 4 Responses - CRITICAL Water Shortage Conditions

Target

Achieve a twenty percent (20%) reduction in daily water use.

Water Use Restrictions. All requirements of Stage 2 and 3 shall remain in effect during Stage 4 except:

- (a) Irrigation of landscaped areas shall be limited to designated watering days between the hours of 6:00 a.m. and 10:00 am, and between 8:00 p.m. and 12:00 midnight and shall be by means of hand-held hoses, hand-held buckets, or drip

irrigation only. The use of hose-end sprinklers or permanently installed automatic sprinkler systems are prohibited at all times.

6. Use of new water to fill, refill, or add to any indoor or outdoor swimming pools, wading pools, splash pads or Jacuzzi-type pools. Note: recycled water is permitted.
- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle not occurring on the premises of a commercial car wash and commercial service stations and not in the immediate interest of public health, safety, and welfare is prohibited. Further, such vehicle washing at commercial car washes and commercial service stations shall occur only between the hours of 6:00 am, and 10:00 a.m. and between 6:00 p.m. and 10 p.m.
- (c) The filling, refilling, or adding of water to swimming pools, wading pools, and jacuzzi type pools is prohibited.
- (d) Operation of any ornamental fountain or pond for aesthetic or scenic purposes is prohibited except where necessary to support aquatic life or where such fountains or ponds are equipped with a recirculation system.
- (e) No application for new, additional, expanded, or increased-in-size water service connections, meters, service lines, pipeline extensions, mains, or water service facilities of any kind shall be approved, and time limits for approval of such applications are hereby suspended for such time as this thought response stage or a higher-numbered stage shall be in effect.

Stage 5 Responses - EMERGENCY Water Shortage Conditions

Target

Reduce the delivery of water as required by the nature of the emergency and the amount of water available.

Water Use Restriction. All requirements of Stages 1, 2, 3, and 4 shall remain in effect during Stage 5 except:

- (a) Irrigation of landscaped areas is absolutely prohibited.
- (b) Use of water to wash any motor vehicle, motorbike, boat, trailer, airplane or other vehicle is absolutely prohibited.

WATER ALLOCATION

In the event that water shortage conditions threaten public health, safety, and welfare, the District Operator is hereby authorized to allocate water according to the following water allocation plan:

- (a) A Retail customer's monthly allocation shall be a percentage of the customer's water usage baseline. The percentage will be set by resolution of the Board based on the District Operator's assessment of the severity of the water shortage condition and the need to curtail water diversions and/or deliveries and may be adjusted periodically by resolution of the Board as conditions warrant. Once water allocation is in effect, water diversions by or deliveries to each retail customer shall be limited to the allocation established for each month.
- (b) A monthly water usage allocation for an emergency water shortage condition shall be established by the District Operator or his/her designee, for each retail customer. The retail customer's water usage baseline will be computed on the average water usage by month for the previous three-year period as shown in the example given below. If the retail water customer's billing history is less than three years, the monthly average for the period for which there is a record shall be used for any monthly period for which no billing history exists.

Example Calculation of Monthly Allocation for a Hypothetical Retail Water Customer*

	2010	2011	2012	Sum	Ave	Allocation Percentage	Monthly Allocation
Jan.	14.6	14.9	15.6	45.0	15.0	75%	11.3
Feb.	13.3	13.3	14.7	41.3	13.8	75%	10.3
March	14.6	14.9	15.9	45.4	15.1	75%	11.4
April	16.8	15.7	18.7	51.2	17.1	75%	12.8
May	17.9	18.3	17.1	53.3	17.8	75%	13.3
June	17.2	20.5	24.9	62.6	20.9	75%	15.7
July	23.2	31.4	24.6	79.2	26.4	75%	19.8
Aug.	20.6	33.7	30.9	85.2	28.4	75%	21.3
Sept.	19.6	22.0	19.8	62.3	20.8	75%	15.6
Oct.	19.7	16.5	18.5	54.7	18.2	75%	13.7
Nov.	14.9	15.3	16.2	46.4	15.5	75%	11.6
Dec.	15.0	15.6	16.5	47.1	15.7	75%	11.8
Total	207.4	232.9	233.4		224.6		

*Units in thousands of gallons

- (c) The District Operator shall provide notice, by radio, TV or other announcement, to retail customers informing them of their monthly water usage allocations and

the executive director of the Texas Commission on Environmental Quality upon initiation of pro rata water allocation.

Upon request of the customer or at the initiative of the District Operator, the allocation may be reduced or increased if. (1) the designated period does not accurately reflect the retail customer's normal water usage; (2) other objective evidence demonstrates that the designated allocation is inaccurate under present conditions. A customer may appeal an allocation established hereunder to the Board.

Section X: Enforcement

- (a) No person shall knowingly or intentionally allow the use of water from the District for residential, commercial, industrial, agricultural, governmental, or any other purpose in a manner contrary to any provision of this Plan, or in an amount in excess of that permitted by the drought response stage in effect at the time pursuant to action taken by the President, or his/her designee, in accordance with provisions of this Plan.
- (b) Any person who violates this Plan is guilty of a misdemeanor and, upon conviction shall be punished by a fine of up to \$10,000.00. Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If a person is convicted of three or more distinct violations of this Plan, the Board shall, upon due notice to the customer, be authorized to terminate water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, and any other costs incurred by the District in discontinuing service. In addition, suitable assurance must be given to the President that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.
- (c) Any person, including a person classified as a water customer of the District, in apparent control of the property where a violation occurs or originates shall be presumed to be the violator, and proof that the violation occurred on the person's property shall constitute a rebuttable presumption that the person in apparent control of the property committed the violation, but any such person shall have the right to show that he/she did not commit the violation. Parents shall be presumed to be responsible for violations of their minor children and proof that a violation, committed by a child occurred on property within the parents' control shall constitute a rebuttable presumption that the parent committed the violation, but any such parent may be excused if he/she proves that he/she had previously directed the child not to use the water as it was used in violation of this Plan and that the parent could not have reasonably known of the violation.

- (d) Any organization in violation of this Plan is subject to civil penalties of up to \$10,000. Each day that one or more of the provisions in this Plan is violated shall constitute a separate offense. If an organization violates this Plan three or more times, the Board shall, upon due notice to the customer, be authorized to terminate water service to the premises where such violations occur. Services discontinued under such circumstances shall be restored only upon payment of a re-connection charge, and any other costs incurred by the District in discontinuing service. In addition, suitable assurance must be given to the President that the same action shall not be repeated while the Plan is in effect. Compliance with this plan may also be sought through injunctive relief in the district court.
- (e) Any employee or the District, police officer, or other employee designated by the Board, may issue a citation to a person he/she reasonably believes to be in violation of this Ordinance. The citation shall be prepared in duplicate and shall contain the name and address of the alleged violator, if known, the offense charged, and shall direct him/her to appear in municipal court on the date shown on the citation for which the date shall not be less than 3 days nor more than 5 days from the date the citation was issued. The alleged violator shall be served a copy of the citation. Service of the citation shall be complete upon delivery of the citation to the alleged violator, to an agent or employee of a violator, or to a person over 14 years of age who is a member of the violator's immediate family or is a resident of the violator's residence. The alleged violator shall appear in municipal court to enter a plea of guilty or not guilty for the violation of this Plan. If the alleged violator fails to appear in municipal court, a warrant for his/her arrest may be issued. A summons to appear may be issued in lieu of an arrest warrant. These cases shall be expedited and given preferential setting in municipal court before all other cases.

Section XI: Variances

The Board or its designee, may, in writing, grant temporary variance for existing water uses otherwise prohibited under this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the health, sanitation, or fire protection for the public or the person requesting such variance and if one or more of the following conditions are met:

- (a) Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
- (b) Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Ordinance shall file a petition for variance with the Board within five (5) days after the Plan or a particular drought response stage has been invoked. All petitions for variances shall be reviewed by the Board or its designee, and shall include the following:

- (a) Name and address of the petitioner(s).
- (b) Purpose of water use.
- (c) Specific provision(s) of the Plan from which the petitioner is requesting relief.
- (d) Detailed statement as to how the specific provision of the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Ordinance.
- (e) Description of the relief requested.
- (f) Period of time for which the variance is sought.
- (g) Alternative water use restrictions or other measures' the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
- (i) Other pertinent information.

Variances granted by the District shall be subject to the following conditions, unless waived or modified by the Board or its designee:

- (a) Variances granted shall include a timetable for compliance.
- (b) Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.

No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.



Proposal For Harris County MUD No. 368

Date: 9-5-19

TO: Mirna Croon
Johnson Petrov, LLP
2929 Allen Parkway, Suite 3150
Houston, TX 77019
Phone Number: 713-489-8977
Fax Number: 713-358-3530

We are pleased to submit the following bid:

Job Description: options for contract extension of current services

# HOMES	COLLECTION DESCRIPTION	MONTHLY RATE	TOTAL PER MONTH
	5 year renewal term expire 10/25	\$13.80	
	3 year renewal term expire 10/23	\$13.95	
	remaining year term expire 10/20	\$14.10	



P.O BOX 11750
SPRING, TEXAS 77391-1750
281-374-8989

OPERATIONS REPORT

For

HARRIS COUNTY MUD #368

**SEPTEMBER 5, 2019
BOARD MEETING**

MONTHLY ACTIVITY REPORT
FOR
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT # 368

COLLECTIONS DATE RANGE: July 20, 2019 thru August 21, 2019

Water Collections:	\$ <u>81,945.46</u>
Sewer Collections:	<u>159,350.87</u>
NHCRWA Fees:	<u>127,053.73</u>
Security Service Fees	<u>16,419.29</u>
Late Letter Fees:	<u>3,501.28</u>
Penalties:	<u>6,806.12</u>
Deposits:	<u>8,838.45</u>
Transfer Fees:	<u>1,550.00</u>
Service Fees:	<u>47.09</u>
Miscellaneous:	<u>3,174.95</u>
Unapplied Payments/Overpayments:	<u>2,695.48</u>

TOTAL COLLECTIONS: \$411,382.72

CURRENT BILLING DUE FOR PERIOD ENDING July 13, 2019:

Water:	\$ <u>83,881.00</u>
Sewer:	<u>161,788.32</u>
NHCRWA Fees:	<u>144,749.39</u>
Security Service Fee:	<u>14,380.00</u>

TOTAL CURRENT BILLING: \$404,798.71

PREPARED BY: EAGLE WATER MANAGEMENT, INC.

**HARRIS COUNTY MUD #368
SEPTEMBER 2019 MEETING**

<u>Billing Period: July 14, 2019 thru August 13, 2019</u>	<u>GALLONS</u>	<u>GALLONS</u>
TOTAL WELL GALLONS PUMPED DURING BILLING CYCLE:	4,964,000	
RECEIVED FROM NHCRWA	<u>26,208,000</u>	
<u>TOTAL GALLONS PUMPED:</u>	<u>31,172,000</u>	
<u>WATER LOSSES</u>		<u>LOSS</u>
WASTE TREATMENT PLANT USAGE:		14,000
INTERCONNECT USAGE DELIVERED:		0
LINE FLUSHINGS:		0
FIRE HYDRANT FLUSHINGS:		388,950
UNAUTHORIZED CONSUMPTION: (Theft - estimate)		0
STORAGE TANK DRAINING/FLUSHING: (Overflow)		0
HYDROPNEUMATIC TANK REFILLS:		0
MAIN BREAKS: (Estimate)		0
SERVICE LINE LEAKS:		0
WATER MAIN FILLINGS:		0
FIRE HYDRANT METER RENTAL USAGE:		0
OTHER: WELL FLUSHING		131,000
<u>TOTAL WATER LOSSES FOR BILLING CYCLE:</u>		<u>533,950</u>
<u>TOTAL NET GALLONS PUMPED:</u>	<u>30,638,050</u>	
<u>GALLONS BILLED FOR BILLING CYCLE:</u>	<u>31,399,000</u>	
<u>PUMP TO BILL PERCENTAGE FOR BILLING CYCLE:</u>		<u>102.5%</u>
<u>ADDITIONAL INFORMATION:</u>		
<u>NUMBER OF CONNECTION ACCOUNTS</u>		
RESIDENTIAL	3,834	
COMMERCIAL	35	
APARTMENTS	0	
NON PROFIT	2	
BUILDERS	0	
IRRIGATION/OTHERS	44	
<u>TOTAL NUMBER OF ACCOUNTS:</u>	<u>3,915</u>	

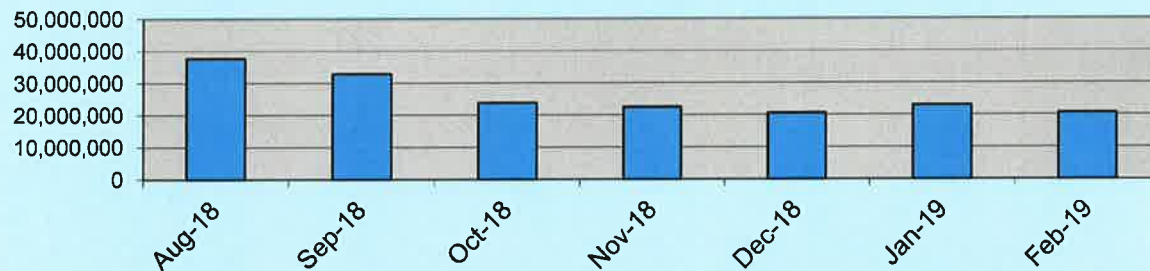
EAGLE WATER MANAGEMENT, INC.

HARRIS COUNTY MUD #368

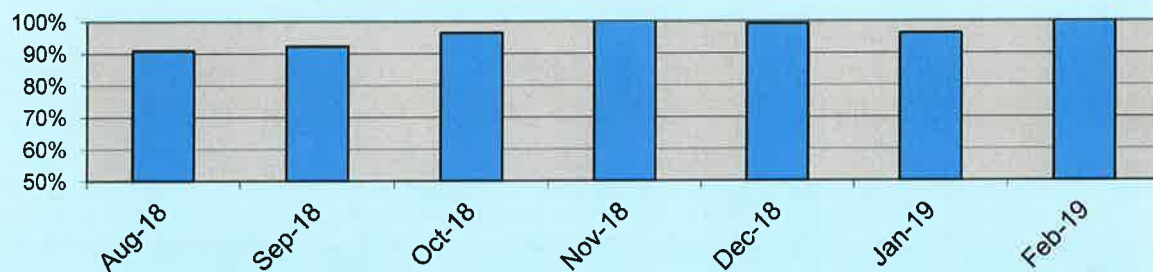
WATER PRODUCTION & ACCOUNTABILITY

MO/YR	PUMPED (MG)	BILLED (MG)	%	Four Month Average
Aug-18	37,714,675	34,283,000	90.90%	90.9%
Sep-18	32,864,205	30,329,000	92.29%	91.6%
Oct-18	23,809,400	22,953,000	96.40%	93.2%
Nov-18	22,439,500	22,507,000	100.30%	95.0%
Dec-18	20,535,400	20,377,000	99.23%	97.1%
Jan-19	22,951,500	22,080,000	96.20%	98.0%
Feb-19	20,636,400	20,687,000	100.25%	99.0%
Mar-19	18,623,000	18,844,000	101.19%	99.2%
Apr-19	24,818,600	25,205,000	101.56%	99.8%
May-19	23,133,542	23,911,000	103.36%	101.6%
Jun-19	28,907,350	30,548,000	105.68%	102.9%
Jul-19	28,042,250	28,206,000	100.58%	102.8%
Aug-19	30,638,050	31,399,000	102.48%	103.0%

WATER PRODUCTION



WATER ACCOUNTABILITY



HARRIS COUNTY MUD #368

WATER PLANT
MONTHLY FACILITY REPORT

MONTH OF AUGUST 2019

WELL #2 PUMPAGE

CURRENT

LAST MONTH

Average Daily
Maximum Daily
Minimum Daily

77,000 gallons

165,000 gallons

0 gallons

2,393,000 gallons

138,000 gallons

378,000 gallons

10,000 gallons

4,284,000 gallons

TOTAL

WELL #3 PUMPAGE

CURRENT

LAST MONTH

Average Daily
Maximum Daily
Minimum Daily

14,000 gallons

149,000 gallons

0 gallons

430,000 gallons

18,000 gallons

192,000 gallons

0 gallons

553,000 gallons

TOTAL

WELL #4 PUMPAGE

CURRENT

LAST MONTH

Average Daily
Maximum Daily
Minimum Daily

16,000 gallons

511,000 gallons

0 gallons

511,000 gallons

21,000 gallons

362,000 gallons

0 gallons

655,000 gallons

TOTAL

WELL #5 PUMPAGE

CURRENT

LAST MONTH

Average Daily
Maximum Daily
Minimum Daily

5,000 gallons

159,000 gallons

0 gallons

159,000 gallons

5,000 gallons

93,000 gallons

0 gallons

169,000 gallons

TOTAL

WELL #6 PUMPAGE

CURRENT

LAST MONTH

Average Daily
Maximum Daily
Minimum Daily

0 gallons

0 gallons

0 gallons

0 gallons

6,000 gallons

131,000 gallons

0 gallons

188,000 gallons

TOTAL

TOTAL PUMPAGE FROM WELLS
TOTAL RECEIVED FROM NHCRA
TOTAL COMBINED PRODUCTION
PERCENTAGE SURFACE WATER

3,493,000 gallons

31,819,000 gallons

35,312,000 gallons

90.11%

5,849,000 gallons

24,407,000 gallons

30,256,000 gallons

80.67%

PERMIT TERM:

SEPT 1, 2018 THRU AUGUST 31, 2019

YEAR TO DATE PUMPAGE THRU 2019 PERMIT TERM:

37,447,000 gallons

YEAR TO DATE RWA WATER THRU 2019 PERMIT TERM:

228,415,000 gallons

PERCENTAGE SURFACE WATER DURING PERMIT TERM

85.91%

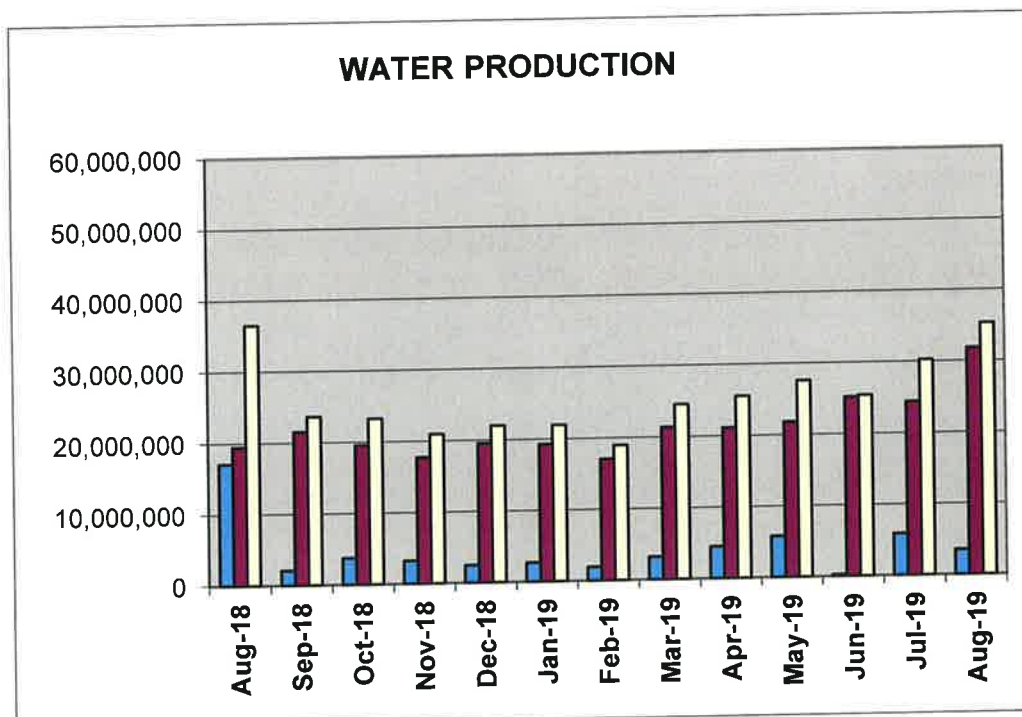
CONDITION OF EQUIPMENT:

FUTURE ANTICIPATED PROJECTS:

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT #368

WATER PRODUCTION REPORT

MONTH/YEAR	PUMPAGE	NHCRWA	TOTAL
Aug-18	17,093,000	19,418,000	36,511,000
Sep-18	2,067,000	21,527,000	23,594,000
Oct-18	3,714,000	19,517,000	23,231,000
Nov-18	3,219,000	17,713,000	20,932,000
Dec-18	2,435,000	19,531,000	21,966,000
Jan-19	2,669,000	19,251,000	21,920,000
Feb-19	1,886,000	17,034,000	18,920,000
Mar-19	3,172,000	21,345,000	24,517,000
Apr-19	4,430,000	21,107,000	25,537,000
May-19	5,760,000	21,814,000	27,574,000
Jun-19	224,000	25,169,000	25,393,000
Jul-19	5,849,000	24,407,000	30,256,000
Aug-19	3,493,000	31,819,000	35,312,000



AUGUST 2019

FLOW (GPD)

Average Daily Flow: 696,000 GALLONS

Percent of Rated Capacity: 77%

Minimum Daily Flow: 445,000 GALLONS

Maximum Daily Flow: 1,022,000 GALLONS

TOTAL FLOW: 21,567,000 GALLONS

TPDES PERMIT NO.	12044-001
PERMIT EXPIRATION:	7/16/2023
PERMIT VIOLATIONS:	None

SOLIDS HANDLING DATE: 12, 13, 14, 16 gallons 272,387

CONDITION OF EQUIPMENT: _____

FUTURE ANTICIPATED PROJECTS:

Replacement of underground valves and clarifier and digester sidewall repairs

HC MUD 368
Sludge Haul History

Month/Year	Gallons processed	Cost/gallon	Cost
Jan-17	262,255	\$0.0425	\$11,145.84
Feb-17	0	\$0.0000	\$0.00
Mar-17	281,110	\$0.0425	\$11,947.18
Apr-17	269,777	\$0.0425	\$11,465.52
May-17	0	\$0.0000	\$0.00
Jun-17	372,652	\$0.0425	\$15,837.71
Jul-17	194,619	\$0.0425	\$8,271.31
Aug-17	0		\$0.00
Sep-17	221,601	\$0.0425	\$9,418.04
Oct-17			\$0.00
Nov-17	261,116	\$0.0425	\$11,097.43
Dec-17			\$0.00
2017 Total	1,863,130		\$79,183.03
Jan-18	194,407	\$0.0425	\$8,262.30
Feb-18			\$0.00
Mar-18	189,834	\$0.0425	\$8,067.95
Apr-18	222,061	\$0.0425	\$9,437.59
May-18	284,063	\$0.0425	\$12,072.68
Jun-18			\$0.00
Jul-18	218,999	\$0.0425	\$9,307.46
Aug-18	220,259	\$0.0425	\$9,361.01
Sep-18			\$0.00
Oct-18	207,317	\$0.0425	\$8,810.97
Nov-18			\$0.00
Dec-18	208,701	\$0.0425	\$8,869.79
2018 Total	1,745,641		\$74,189.74
Jan-19			\$0.00
Feb-19	259,206	\$0.0425	\$11,016.26
Mar-19			\$0.00
Apr-19	249,404	\$0.0425	\$10,599.67
May-19			\$0.00
Jun-19	221,502	\$0.0425	\$9,413.84
Jul-19			\$0.00
Aug-19	272,387	\$0.0425	\$11,576.45
Sep-19			\$0.00
Oct-19			\$0.00
Nov-19			\$0.00
Dec-19			\$0.00
2019 Total	1,002,499		\$42,606.21

Account Name	2017	2018	19-Jun	19-Jul	19-Aug	19-Sep	19-Oct	19-Nov	19-Dec	20-Jan	20-Feb	20-Mar	20-Apr	20-May	Total
Graceview Baptist Church	\$2,400	\$4,900	\$350	\$200	\$200										\$750
100			59	47	35										\$600
Walgreens	\$2,400	\$2,200	\$200	\$200	\$200										\$600
201			3	3	3										\$750
Reach Unlimited (12335 White River)	\$2,550	\$2,800	\$350	\$200	\$200										\$600
300			65	47	24										\$600
Houston Garden Center	\$2,400	\$2,400	\$200	\$200	\$200										\$600
410			0	0	1										\$600
Chip-N-Dip (Chevron)	\$2,400	\$2,750	200	200	200										\$600
501			12	12	12										\$600
Landmark Property (Strip Center w/ Subway)	\$6,650	\$3,550	\$200	\$200	\$200										\$600
510			47	44	38										\$0
Canyon Cleaners	\$4,000	\$3,600	n/a	n/a	n/a										\$0
521			n/a	n/a	n/a										\$600
Tower Plaza (Strip Center by Chevron)	\$2,550	\$2,400	\$200	\$200	\$200										\$600
600			26	22	24										\$7,600
Regal Cinema Inc.	\$21,700	\$18,400	\$3,500	\$3,500	\$600										\$4,300
1222			165	170	139										\$600
Khoyville Elementary	\$5,500	\$5,900	\$600	\$200	\$3,500										\$600
140480			82	5	165										\$600
Parkway Chevrolet	\$6,550	\$2,550	\$200	\$200	\$200										\$600
186910			34	38	34										\$600
Kids World Day care	\$2,400	\$2,400	\$200	\$200	\$200										\$600
187220			21	18	19										\$600
Valero	\$2,400	\$2,400	\$200	\$200	\$200										\$1,800
20130			29	28	34										\$4,050
Barkway Pet Resort	\$5,650	\$5,700	\$600	\$600	\$600										\$1,800
202221			94	1084	112										\$1,800
Blackshear Elementary	\$26,850	\$23,950	\$3,500	\$200	\$350										\$1,800
202561			170	47	72										\$1,800
Texas Roadhouse	\$24,600	\$10,100	\$600	\$600	\$600										\$1,800
202770			141	142	134										\$1,800
Fried Haas Nissan	\$7,200	\$10,100	\$600	\$600	\$600										\$600
203120			136	115	118										\$600
Lacey Food Mart	\$2,400	\$2,400	\$200	\$200	\$200										\$600
203141			38	41	37										\$600
Bahama Bucks	\$2,550	\$2,400	\$200	\$200	\$200										\$750
207320			25	25	22										\$750
HMT	\$2,550	\$2,550	\$200	\$350	\$200										\$1,050
207810			41	55	34										\$1,050
Adriatic Café	\$4,200	\$4,450	\$350	\$350	\$350										\$10,500
208151			60	61	55										\$10,500
Parkway Lube Center	\$1,500	\$20,500	\$3,500	\$3,500	\$3,500										\$7,600
208710			208	172	173										\$7,600
Bombshells 249	\$1,400	\$3,500	\$3,500	\$3,500	\$600										\$41,150
208950			153	154	148										\$41,150
Totals	\$141,400	\$145,550	\$16,150	\$12,300	\$12,700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,150



DMR Copy of Submission

Permit

Permit ID: TX0078433

Permittee: HARRIS COUNTY MUD 368

Facility: HARRIS COUNTY MUD 368 WWTP

Permitted Feature: 001 - External Outfall

Report Dates & Status: From 07/01/19 to 07/31/19

Monitoring Period: NetDMR Validated

Status:

Major:

Permittee Address: 2929 ALLEN PKWY, STE 3150
HOUSTON , TX77019

Facility Location: 19744 0.5 LOGAN BRIAR DR
HOUSTON , TX77002

Discharge: 001-A - DOMESTIC FACILITY - 001

DMR Due Date: 08/20/19

Considerations for Form Completion
INTERIM I PHASE EFFECTIVE UPON ISSUANCE AND LASTING UNTIL THE COMPLETION OF THE 1.275 MGD FACILITIES.

Principal Executive Officer
First Name: Last Name:
Title: Telephone:
No Data Indicator (NODI)
Form NODI:

Parameter		NODI	Quantity or Loading			Quality or Concentration			# of Ex.	Freq. of Analysis	Smpl. Type	
Code	Name		Value 1	Value 2	Units	Value 1	Value 2	Value 3	Units			
00300	Oxygen, dissolved [DO]	Smpl.				=7.8			19 - mg/L	0	01/07 - Weekly	GR - GRAB
1 - Effluent Gross									19 - mg/L		01/07 - Weekly	GR - GRAB
Season: 0		Req.				>=6 MO MIN						
NODI: -		NODI										
00400	pH					=7.8						
1 - Effluent Gross		Smpl.							12 - SU	0	02/30 - Twice Per Month	GR - GRAB

Code	Name	Value 1	Value 2	Units	Value 1	Value 2	Value 3	Units	Ex.	Analysis	GRAB
Season: 0		Req.			>=6 MINIMUM		<=9 MAXIMUM	12 - SU		02/30 - Twice Per Month	GR - GRAB
NODI: -		NODI									
00530	Solids, total suspended	Smpl.	=14.1	26 - lb/d		=2.4	=3.8	19 - mg/L	0	01/07 - Weekly	CP - COMPOS
1 - Effluent Gross											
Season: 0		Req.	<=113 DAILY AV	26 - lb/d		<=15 DAILY AV	<=40 DAILY MX	19 - mg/L		01/07 - Weekly	CP - COMPOS
NODI: -		NODI									
00610	Nitrogen, ammonia total [as N]	Smpl.	=3.1	26 - lb/d		=0.5	=1.4	19 - mg/L	0	01/07 - Weekly	CP - COMPOS
1 - Effluent Gross											
Season: 0		Req.	<=22 DAILY AV	26 - lb/d		<=3 DAILY AV	<=10 DAILY MX	19 - mg/L		01/07 - Weekly	CP - COMPOS
NODI: -		NODI									
01092	Zinc, total [as Zn]	Smpl.	=0.532	26 - lb/d		=0.0856	=0.133	19 - mg/L	0	01/07 - Weekly	CP - COMPOS
1 - Effluent Gross											
Season: 0		Req.	Req Mon DAILY AV	26 - lb/d		Req Mon DAILY AV	Req Mon DAILY MX	19 - mg/L		01/07 - Weekly	CP - COMPOS
NODI: -		NODI									
01105	Aluminum, total [as Al]	Smpl.	=0.137	26 - lb/d		=0.0226	=0.0369	19 - mg/L	0	01/07 - Weekly	CP - COMPOS
1 - Effluent Gross											
Season: 0		Req.	Req Mon DAILY AV	26 - lb/d		Req Mon DAILY AV	Req Mon DAILY MX	19 - mg/L		01/07 - Weekly	CP - COMPOS
NODI: -		NODI									
50050	Flow, in conduit or thru treatment plant	Smpl.	=0.678	03 - MGD					0	99/99 - Continuous	TM - TOTALZ
1 - Effluent Gross											
Season: 0		Req.	<=.9 DAILY AV	03 - MGD						99/99 - Continuous	TM - TOTALZ
NODI: -		NODI									
50060	Chlorine, total residual	Smpl.			=1.2		=2.82	19 - mg/L	0	01/01 - Daily	GR - GRAB
1 - Effluent Gross											
Season: 0		Req.			>=1 MO MIN		<=4 MO MAX	19 - mg/L		01/01 - Daily	GR - GRAB

Code	Name	Value 1	Value 2	Units	Value 1	Value 2	Value 3	Units	Ex.	
NODI: -										
51040	E. coli				=5		=13	3Z - CFU/100mL	0	02/30 - Twice Per Month GRAB
1 - Effluent Gross										
Season: 0										
NODI: -										
80082	BOD, carbonaceous [5 day, 20 C]									
1 - Effluent Gross										
Season: 0										
NODI: -										

Submission Note

If a parameter row does not contain any values for the Sample nor Effluent Trading, then none of the following fields will be submitted for that row: Units, Number of Excursions, Frequency of Analysis, and Sample Type.

Edit Check Errors

No errors.

Comments

Attachments

No attachments.

Report Last Saved By

HARRIS COUNTY MUD 368

User:

Name:

E-Mail:

Date/Time:

Report Last Signed By

User:

Name:

E-Mail:

Date/Time:

brian.eastex@yahoo.com

Brian Sewell

brian.eastex@yahoo.com

2019-08-08 14:06 (Time Zone:-05:00)

mplunkett@eaglewatermanagement.com

Mike Plunkett

mplunkett@eaglewatermanagement.com

2019-08-16 14:02 (Time Zone:-05:00)



September 5, 2019

Board of Directors
Harris County Municipal Utility District No. 368
c/o Johnson Petrov LLP
1001 McKinney, Suite 1000
Houston, Texas 77002-1223

Reference: District Engineer's Status Report, IDS Job No. 0456-001-MR

Members of the Board:

The status of the various projects in the District is as follows:

GENERAL DISTRICT MATTERS

1. Extreme Event Swales to Serve Northern Point Subdivision (0456-153-00)

The project is complete.

2. Northern Point Stormwater Pump Station and Force Main (0456-153-01)

Design is in progress. We are in coordination with Harris County for the connection to their storm sewer in Hufsmith-Kohrville Segment 3.

3. Project for Potential Harris County Joint Partnership (0456-153-02)

We are working to schedule a meeting with the Commissioner to discuss this project.

4. Bond Application No. 14 (0456-129-06)

We have received the staff memo from TCEQ and the issuance of bonds has been approved.

We have scheduled a pre-purchase inspection for Friday, September 6th

Thursday, 9-5. No deficiency

5. Detention Facilities Improvements (0456-156-00)

The project will improve the condition of the existing stormwater facilities and should reduce future maintenance costs. This project is included in the current bond application. Once the bond application is approved, we will present an engineering proposal for the project.

6. Facilities Communication and Security (0456-001-00)

The Contractor has all equipment necessary to complete the conversion and is expecting to complete this work within the next week.

7. Hufsmith-Kohrville Improvements (0456-001-00)

Construction of Segment 2 will be starting soon. This segment involves the relocation of the existing Water Well No. 6 collection line, which will be completed by the Segment 2 contractor. The total cost of the relocation is estimated at \$281,500 and the District is responsible 50% of the portion within Harris County R.O.W., approximately \$60,000 of the estimated total cost.

Design of Segment 3 is nearly complete. Harris County is finalizing the Right-of-Way acquisition. This segment includes the storm sewer that will accommodate the excess drainage proposed from the increased capacity of the Northern Point Pump Station improvements.

8. Operations Committee Meeting (0456-001-00)

The next Operations Committee Meeting has not been scheduled.

9. HCFCF Mowing Agreement (0456-001-00)

We have provided Harris County Flood Control District with all of the information they requested for the agreement. We followed up to request an update, but have not received a response.

10. Three Lakes East Section 4 Storm Sewer CCTV (0456-001-00)

The Operator has completed the CCTV and the initial reports are that the lines are clear of major blockages. We are reviewing the videos now and will present a report for the next Board meeting.

WATER SUPPLY SYSTEM MATTERS

11. Water Quality Monitoring for Water Well Nos. 2, 3, 4, 5, and 6 (0456-001-00)

The August 2019 laboratory test results for benzene, toluene, ethyl benzene, or xylene (BTEX) in Well No. 2, Well No. 3, Well No. 4, Well No. 5, and Well No. 6 are non-detect.

12. Water Well No. 6 Conditional Acceptance and Sampling Requirements (0456-001-00)

Per the TCEQ well approval letter, the District must collect and submit chemical samples upon contact from a TCEQ representative or within 180 days of the date of the letter (**due August 14, 2019**). If the samples show levels higher than the minimum secondary constituent levels, the District may be required to design and install additional treatment equipment. Additionally, there are new sampling requirements for Water Well No. 6, which can be found in the attached TCEQ approval letter. The TCEQ was supposed to contact us regarding the sampling, and we have not been. We will work to determine what additional steps need to be taken, if any.

13. Water Plant No. 1 Inspection (0456-200-00)

We will inspect the tanks again in 2020 or 2021 in consideration for a rehabilitation.

WASTEWATER TREATMENT SYSTEM MATTERS

14. Phase 4 Sanitary Sewer Rehab (0456-138-03)

The Operator believes the point repairs associated with this phase will be approximately \$110,000. We recommend authorizing the Operator to proceed with the sanitary sewer point repairs.

15. Sandy Stream Sewer Upsize (0456-159-00)

We are preparing plans and specifications for this project. We request authorization to advertise for public bids.

16. Lift Station Control Panel Replacements (0456-150-00)

The electrical engineering consultant is preparing a proposal to perform engineering services for the control panels. We are working to ensure all the District's requirements for the panels are included in the design.

17. Wastewater Treatment Plant Rehabilitation (0456-157-00)

We conducted a 1-Year inspection of the lift station wet well on August 19th. The lift station coatings were generally in good condition. There was an area of coating near the normal water level in the wet well where some peeling was noticed. SpectraShield has agreed to come in either one year from the inspection date or during the time at which the lift station is drained and cleaned for the wastewater treatment plant rehab project, whichever comes first, to repair the areas that are peeling.

Design is in progress for the Wastewater Treatment Plant Rehabilitation project.

RESIDENTIAL AND COMMERCIAL DEVELOPMENT PROJECTS

18. Harris County Street Acceptance Status (0456-001-00)

Uretek has completed the repair of the bird bath in Willow Falls Section 4. We have requested an inspection date from Harris County.

The Stonepine Section 2 road log issues have been corrected by Harris County.

19. NorthPointe Center-Phase II (Santikos) (0456-001-00)

We met with the developer of Main Event regarding the development of this site. Their engineer is preparing construction plans for the main event site.

20. 136-Acre Finger Tract (0456-001-00)

No new activity to report.

21. Northpointe Business Park (0456-001-00)

We prepared and sent a letter to the developer and the developer's engineer addressing their failure to contact IDS prior to start of construction of public utilities. We also provided a list of construction records that we will require before approval of the constructed facilities. A final inspection of the public facilities was held yesterday, and our observer was present. A minor punchlist was generated and the contractor is working to address the items.

22. Braemar Village (0456-158-00)

(a.) Braemar Village WS&D (0456-158-00)

Design is in progress

(b.) Braemar Village Detention (0456-158-01)

Design is in progress

(c.) Braemar Village C&G (0456-158-02)

Bids were opened on August 27th and the bid tabulation is attached. We recommend award to the lowest responsible bidder.

Bidder No. 1: Walsh Construction Company- \$172,470.00
Bidder No. 2: Lindsey Construction- \$195,295.00

(d.) Braemar Village Lift Station (0456-158-03)

Design is in progress.

23. Little Woodrows (0456-001-00)

We completed the annexation map and we plan to send the completed annexation application to the Attorney for review.

24. Dungrove Tract (0456-001-00)

We have included the land cost in the bond application. We are preparing a feasibility study for a potential land buyer for the undeveloped portion of the Tract. This end user is considering an office/warehouse project.

25. 12.9-Acre Tract East of Hufsmith Kohrville (0456-001-00)

The developer has dropped this development plan, because the storm sewer along Hufsmith Kohrville does not provide enough outfall depth to serve the tract. There may be an opportunity for the District to partner with Harris County to redesign this storm sewer to allow outfall depth for this site.

26. 42-Acre Favro Family Tract (West of Hufsmith Kohrville) (0456-001-00)

The developer is reviewing options for the land plan and major thoroughfare plan. The development includes 63 single-family residential lots, 11 private estate lots, a community center including a club and recreational land and facilities, and a parking lot.

27. Riverside Construction Tract (0456-001-00)

No new update from the Developer.

28. Stonepine HOA Splash Pad (0456-001-00)

We have received a request from the Stonepine HOA for a new tap for a splash pad. The utility commitment was approved by the Board. Once we receive confirmation that they would like to move forward with the splash pad, we will send the approved utility commitment letter.

We will be glad to answer any questions the Board may have.

Respectfully,



Matthew Carpenter, P.E.
Vice President



Kameron H. Pugh, P.E.
Project Engineer

X:\0400\045600100 HCMUD 368 Gen Con\MR - DIST ENGR REPORTS\2019\ESR HCMUD 368 20190905.docx