

MINUTES OF SPECIAL MEETING
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 102
HARRIS COUNTY, TEXAS

27 February 2017

THE STATE OF TEXAS
COUNTY OF HARRIS

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 102 (the "District") of Harris County, Texas, met in special session, open to the public, on the 27th day of February, 2017, at the offices of Municipal District Services, L.L.C., 406 West Grand Parkway South, Suite 260, Harris County, Texas, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Randal W. Ward	President
Douglas Jordan	Vice President
David Scholler	Secretary/Treasurer
Jason A. Iken	Assistant Secretary
Robert Moorman	Assistant Secretary/Treasurer and Investment Officer

and all of said persons were present, thus constituting a quorum.

Also present were: Bill Russell of Myrtle Cruz, Inc. the District's Bookkeeper; Cathy Brittain-Drew of Assessments of the Southwest, Inc. ("Assessments"), representing Thomas Lee, the District's Tax Assessor/Collector; James Coursey of Municipal District Services, L.L.C. ("MDS"), the District's Operator; Mike Kurzy, P.E., of AEI Engineering, L.L.C. ("AEI"), the District's Engineer; Trevor Royal, Aaron Rud, Kevin Tousant, and Pedro Pratt, representing Waste Corporation of Texas, L.P. ("WCA"), the District's Solid Waste Collector; Deputy Robert Appleberry of the Harris County Sheriff's Department; Will Yale, Cole Konopka, and David Green of Coats Rose, P.C. ("Coats Rose"), the District's Attorney; and Betty Boren Avery, a resident of the District.

Director Ward called the meeting to order.

Public Comments

First, the Board reviewed a letter dated 4 February 2017 from District resident Nancy Johnson regarding several matters relating to (1) the three lots owned by the District located west of the District's Water Plant No. 2 consisting of Reserve C, Reserve D, and Reserve E in Colonies Commercial, Section 2; and (2) the extension of Kentwick

Drive to connect with F.M. 529. A copy of the letter is attached hereto as an exhibit to these minutes.

The President recognized Ms. Avery, who addressed the Board regarding a certain tract of land along Kentwick Drive near F.M. 529 that was under development (the "Kentwick Tract"). Director Ward expressed to Ms. Avery his understanding that a Stripes convenience store was being constructed in the Kentwick Tract. He noted that the Kentwick Tract was not located within the boundaries of the District.

Approval of Minutes

Next, the Board considered approval of the minutes of the meeting of 23 January 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 23 January 2017, as written.

Security Patrol Report

Deputy Appleberry addressed the Board regarding security related issues. A copy of the Security Patrol Report for January 2017 is attached hereto as an exhibit to these minutes. Deputy Appleberry informed the Board that the contract officers assigned to the District would monitor the flow of traffic on Kentwick Drive between F.M. 529 and Kingfield Drive now that the extension of Kentwick Drive was complete.

Solid Waste Collection Service

Next, the Directors discussed matters relating to the solid waste collection service (the "Service") being provided in the District by WCA. Mr. Yale distributed to the Board copies of the Monthly Customer Issue Listing for the Service for January 2017, as prepared by WCA. A copy of the Monthly Customer Issue Listing is attached hereto as an exhibit to these minutes. Mr. Royal and Mr. Tousant then entered into a lengthy discussion with the Board regarding the Service and the WCA's response to the letter dated 23 January 2017 from the District's Attorney to WCA (the "Letter") regarding certain areas of non-performance with respect to the Service and giving WCA 30 days in which to remedy said non-performance. A copy of the Letter is attached hereto as an exhibit to these minutes. Director Ward discussed with Mr. Royal the issues with the Service as described in the Letter. He added that the Board appreciated the work being performed in the District by WCA in response to the Letter. Mr. Tousant informed the Board that the WCA collection crews assigned to the District had been made aware that unbundled tree limbs were to be collected, pursuant to the terms of the Residential Solid Waste Collection Contract between the District and WCA. Mr. Yale suggested that WCA's guidelines regarding the collection of refuse and recyclable materials (the "Guidelines") could be distributed to the District's customers. Mr. Royal stated that WCA could prepare a flier listing the Guidelines that could be inserted with the utility bills sent to the District's customers. It was noted by the Board that the Guidelines are posted on the District's internet web site. Director Moorman then expressed his desire for a representative of WCA to be in attendance at the meetings of the Board. Mr. Royal

stated that he would ensure that WCA personnel were aware of the meeting dates for the Board. He informed the Board that WCA had begun sending "End of Day" reports regarding the Service to Director Ward via electronic mail. Copies of the "End of Day" reports are attached hereto as exhibits to these minutes. Mr. Russell then informed the Board that WCA had two billing accounts set up for the District (the "Accounts"). Mr. Royal stated that WCA would address this matter so that there was only one Account for the District.

Disaster Recovery Services / Storm Debris Collection

The Board then discussed matters relating to the Disaster Recovery Services (the "Recovery Services") performed by WCA for the collection of storm debris related to the major flooding event that occurred on 18 April 2016 in portions of Harris County (the "Flooding Event"). Mr. Royal stated that WCA would provide the District's consultants with additional information as might be needed in connection with the District's Request for Public Assistance ("RPA") filed with the Federal Emergency Management Agency ("FEMA") in 2016 for reimbursement from FEMA of the District's costs incurred in response to the Flooding Event that were not covered by the District's insurance policies. Mr. Yale remarked that Bukky Akorede of Horne LLP, the accounting firm that is working with FEMA to process District's RPA, had requested additional documentation with regard to the Recovery Services.

Solid Waste Collection / Notification of Rate Increase

Next, Mr. Yale submitted for the Board's review a letter dated 13 February 2017 from WCA regarding the annual adjustment to the compensation rate for solid waste collection in the District, pursuant to Section 2 of the Residential Solid Waste Collection Contract. A copy of the letter is attached hereto and shall be considered to be a part of these minutes. Mr. Yale noted that according to the letter, the monthly rate charged to the District per service connection would be increased from \$13.66 to \$13.90, effective 1 May 2017. The increase in the Base Rate constitutes a 1.7% increase, he told the Board, and is based on the percentage change in the Consumer Price Index – All Urban Consumers.

Tax Assessor/Collector's Report

Ms. Brittain-Drew distributed the Tax Assessor/Collector's Report for the month of January 2017, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 31 January 2017, the District's 2016 tax levy was 79.7% collected. She noted that the District's Tax Account had a balance of \$749,047.07 as of the end of this reporting period (31 January 2017). After deducting the disbursements for payment at today's meeting and adding collections received to date, she added, the District's Tax Account ends with a balance of \$457,211.58. She noted that Assessments was requesting approval for 11 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$317,044.24 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$400,000 to the Debt Service Fund.

The Board then reviewed the Unpaid Accounts Report dated 24 February 2017, a copy of which is included in the Tax Assessor/Collector's Report. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Tax Assessor/Collector's Report; and (2) authorize payment of the checks listed therein.

Resolution Concerning Tax Exemptions for 2017

Next, the Board considered the 2017 residence homestead exemptions for the District. Mr. Yale reported that for 2016, the Board granted a \$40,000.00 exemption for individuals who are disabled or sixty-five years of age or older but no general residential homestead exemption. He stated that allowing the general residential homestead exemption was generally not recommended for a water district that does not have a significant portion of its assessed valuation from commercial property. After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following exemptions for 2017 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$40,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) no general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

Agreement for Delinquent Tax Collection Services

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of 20% on all 2017 taxes, penalties, and interest delinquent on 1 July 2017 for real property (and on 1 April 2017 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2016 taxes would be equal to the additional Collection Charge as approved by the Board on all 2016 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

Collection Charge on all Delinquent 2016 Taxes, Penalties, and Interest

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2016 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

Operator's Report

Next, Mr. Coursey distributed the Operator's Report prepared by MDS for the month of January 2017. He reviewed the Water Production portion of the Operator's Report in detail. Mr. Coursey reported that the District had produced 2,138,000 gallons of water and had purchased 24,703,000 gallons of water from the West Harris County Regional Water Authority (the "Authority") during the period of 16 December 2016 through 16 January 2017, with an accountability rate of 97.1%. He reported that the District had provided 2,732,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,021 active service connections, he told the Board. Then Mr. Coursey reviewed the Wastewater Treatment portion of the Operator's Report. He noted that the District's Wastewater Treatment Plant (the "Plant") operated at 48.1% of design capacity during the January 2017 reporting period, with an average daily flow of 633,000 gallons per day ("gpd").

Mr. Coursey reviewed and discussed with the Board the repairs and maintenance performed on the District's water distribution system and wastewater collection system, as listed in the Operator's Report. He reviewed with the Board the Preventive Maintenance Log for the District's facilities, a copy of which is included with the Operator's Report.

After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Operator's Report, a copy of which is attached hereto and shall be considered to be a part of these minutes.

District Administration Building

Next, the Directors discussed the condition of the District's Administration Building at Water Plant No. 2 (the "Building"). Mr. Coursey reported that the insurance adjuster had met on-site with Accent Home Repair and Remodeling, Inc. to discuss the estimated cost for repairs to the Building. He stated that the initial estimate from the insurance adjuster in response to the District's insurance claim for the water damage to the Building totaled \$75,000. Mr. Coursey added that the District's Operator was awaiting receipt of the final claim report from the insurance adjuster.

District Facilities / Flooding Event on 18 April 2016

Mr. Coursey reported that the District had received checks from Alteris Insurance Services, Inc. ("Alteris") in connection with three insurance claims filed by the District relating to damage caused to the District's facilities by the Flooding Event that occurred on 18 April 2016, as follows: (1) a check in the amount of \$39,886.50, relating to sanitary sewer Lift Station No. 2; (2) a check in the amount of \$32,765.85, relating to Water Well No. 4; and (3) a check in the amount of \$36,231.44, relating to the Plant. Attached hereto as exhibits to these minutes are copies of letters from Alteris dated 14 February 2017 relating to the payment of the claims referenced above.

Survey of Sanitary Sewer Line Manholes

Mr. Coursey reported on the status of the survey of the manholes on the District's sanitary sewer lines (the "Manhole Survey") being performed by the District's Operator. He informed the Board that the Manhole Survey was complete and that the District's Operator was preparing a report for presentation at a future meeting of the Board.

Termination of Service

Consideration was then given to the termination of water and sewer service to certain delinquent accounts. The President recognized Mr. Coursey, who advised the Board that the requisite notifications had been given to each customer and that each customer was advised of the date, time and place of the Board meeting which they could attend to discuss termination of service. The Board noted that there were no customers present to protest the utility billings.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Operator to terminate the water and sewer service to those accounts listed on the termination list, attached hereto.

Customer Write-Off Report

Mr. Coursey reviewed with the Board the Customer Write-Off Report dated 31 January 2017 as prepared by the District's Operator. A copy of the Customer Write-Off Report is included with the Operations Report. It was noted by the Board that there were two delinquent service accounts in the total amount of \$196.02 that would be written off and turned over to a collection agency. After review, upon a motion duly made and seconded, the Board voted unanimously to write-off the delinquent utility service accounts and direct the District's Operator to engage a collection agency to pursue collection of the amounts owed to the District by the delinquent utility service accounts listed in the Customer Write-Off Report.

Engineer's Report

Mr. Kurzy then presented the Engineer's Report for the Board's review. A copy of the Engineer's Report is attached hereto as an exhibit to these minutes.

Maintenance of Detention Ponds

The Directors discussed matters relating to the maintenance (the "Detention Pond Maintenance") of the detention ponds (the "Detention Ponds") serving Waldron Estates Subdivision and Concord Colony Subdivision, Section 2, by Storm Water Solutions, L.P. (called "SWS"). Mr. Kurzy submitted to and reviewed with the Board the Inspection Report for the Detention Pond Maintenance for February 2017 as prepared by AEI, a copy of which is attached hereto as an exhibit to these minutes.

Mr. Kurzy then informed the Board that SWS had submitted a Pay Estimate in the amount of \$225.37 for Detention Pond Maintenance performed during December 2016. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of the Pay Estimate.

Request for Service / Redeemed Christian Church of God – House of David

Next, the Board discussed matters relating to the request for service from the Redeemed Christian Church of God – House of David (the "Church") in connection with its intent to construct a community center in addition to the existing Church facilities in the District. Mr. Kurzy stated that he had nothing new to report on this matter.

Sanitary Sewer Overflow Initiative

The Directors next discussed the status of the District's participation in the Sanitary Sewer Overflow Initiative (the "SSO Initiative") being promulgated by the Texas Commission on Environmental Quality (the "Commission"). Mr. Kurzy reported that the District's Engineer had submitted the annual report addressing the progress of the SSO Initiative and was awaiting a response from the Commission.

Inspection of Sanitary Sewer Lines in Area B – Phase 1

The Board then discussed matters relating to the contract with Magna-Flow Environmental, Inc. ("Magna-Flow") to perform the 10-year post-rehabilitation televised inspection of sanitary sewer lines and inspection of manholes in Area B – Phase 1 (the "Area B Inspection"). Mr. Kurzy reported that Magna-Flow had completed the Area B Inspection and had provided the District's engineer with the videos and the required reports. He stated that the review of the videos of the Area B Inspection indicated that the sanitary sewer lines in Area B were in fair condition with root intrusion and pipe deformities in multiple locations. He reviewed with the Board a map that depicts the information from the Area B Inspection, a copy of which is included with the Engineer's Report. Mr. Kurzy stated that the processing of the final request for payment from Magna-Flow was "on hold" pending resolution of the claim filed against Magna-Flow's insurance by the owner of a residence in the District in connection with a lid on a sanitary sewer manhole that had been left uncovered during the Area B Inspection.

Mr. Kurzy then recommended the application of Razorooter II herbicide by Duke's Root Control, Inc. on eight sections of the sanitary sewer lines in Area B (totaling 2,125 linear feet). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to take action as deemed necessary with regard to the application of the Razorooter II herbicide as described above.

Water Plant No. 2 Expansion and Improvements

The Directors next discussed the contract with W. W. Payton Corp. ("Payton") for the Water Plant No. 2 Expansion and Improvements (the "Water Plant No. 2 Improvements"). Mr. Kurzy reported that Payton had completed the punch list items for the one-year warranty inspection of the Water Plant No. 2 Improvements and accordingly the District's Engineer had issued the Certificate of Acceptance to Payton in connection with said one-year warranty inspection.

Rehabilitation of Sanitary Sewer Lines – Area C

The Board then discussed the contract between the District and Insituform Technologies, LLC ("Insituform") for rehabilitation of the sanitary sewer lines in Area C (the "Area C Rehabilitation"). Mr. Kurzy reported that the District's Engineer had conducted the one-year warranty inspection on the Area C Rehabilitation. No deficiencies were found, he told the Board, and accordingly the District's Engineer had issued to Insituform the Certificate of Acceptance in connection with said one-year warranty inspection.

Request for Service / 10-acre Tract / Schellite, LLC

Next, the Directors discussed matters relating to the proposed development by Schellite, LLC of a 10-acre tract located at 6010 Addicks-Satsuma Road (the "Schellite Tract"). Mr. Kurzy stated that the District's Engineer had reviewed the plans for the proposed development in the Schellite Tract and had forwarded comments to the engineer for Schellite.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

Bookkeeper's Report

Mr. Russell presented the Bookkeeper's Report, a copy of which is attached hereto and shall be considered to be part of these minutes. He reviewed the District's revenues and expenses for the month of January 2017 as well as the investments for each of the accounts maintained by the District. He reported that the District's Operating Fund checking account began this reporting period with a balance of \$10,838.80 and that there were total receipts of \$315,003.96 during the reporting period, less checks completed at or after the Board's last meeting and other disbursements, resulting in a balance for the Operating Fund checking account of \$300,953.47. Mr. Russell went on to say that this ending balance, as well as investments, less disbursements presented at this meeting, result in the District having total operating funds of \$3,955,701.67 available for the District as of 27 February 2017.

Mr. Russell informed the Board that the District had received a payment of \$10,685.00 from the City of Houston (the "City") for the District's share of sales tax

collections during November 2016 pursuant to the Strategic Partnership Agreement with the City for limited purpose annexation of commercial property in the District.

Mr. Russell then reported that the balance of the District's Debt Service Fund, including investments, totals \$1,265,396.00 and the balance of the District's Capital Projects Fund, including investments, totals \$263,029.89 as of this date. The Board then reviewed: (1) the District's Operating Budget for the fiscal year ending 30 September 2017; (2) the Summary of Costs relating to the District's Series 2014 Bonds; (3) the table listing the District's power consumption and the amount billed to the District; (4) the Schedule of Investments; (5) the balance of deposits paid by developers for legal and engineering fees incurred by the District for their respective projects; and (6) the Pledged Security Report. Copies of these documents are included with the Bookkeeper's Report.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Bookkeeper's Report and (2) authorize payment of the checks listed therein.

Routine Data Backup and Emergency Procedures

Mr. Coursey reviewed with the Board the Data Backup, Recovery Scheme and Disaster Recovery Plan prepared by MDS (collectively, the "Recovery Plan") pursuant to Section 2.04 of the Service Agreement between the District and MDS, pertaining to the computerized account, billing, and collection information held by MDS that pertains to the District. A copy of the Recovery Plan is attached hereto as an exhibit to these minutes

Insurance Coverage for the District's Consultants

Then Mr. Yale reported that the District's Attorney was working to collect insurance certificates from the District's consultants as authorized by the Board at the 23 January 2017 meeting.

Emergency Water Supply Contract / Harris County Municipal Utility District No. 185

The Board next discussed matters relating to the request from Harris County Municipal Utility District No. 185 ("HCMUD 185") regarding proposed revisions to the Emergency Water Supply Contract dated 17 December 1981 between the District and HCMUD 185, as amended. Mr. Yale reported that he had responded to comments on the proposed Amendment and Restatement of Emergency Water Supply Contract between the District and HCMUD 185 as provided by Smith, Murdaugh, Little & Bonham, LLP, the attorney for HCMUD 185.

West Harris County Regional Water Authority

Mr. Yale distributed copies of a memorandum from Coats Rose regarding the 8 February 2017 meeting of the Authority's board of directors. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Power Supply Issues / Public Power Pool

Next, the Directors discussed matters pertaining to the aggregate purchase of electricity under the auspices of the Public Power Pool ("P3"). Mr. Yale distributed copies of a newsletter from P3 dated 14 February 2017, a copy of which is attached hereto.

The Board then discussed matters relating to P3's procurement of electric power supply for the period beginning 1 January 2020 (the "Procurement"). Mr. Yale submitted to and reviewed with the Board a packet of documents provided by P3 in connection with the Procurement, as follows: (1) a letter dated 30 January 2017 from P3 Executive Director Donald Lee; (2) the Procurement Ceiling and Expected Rate Estimate; (3) the P3 2017 Procurement Memorandum; (4) the Methodology to Control Cross Subsidization in the Procurement; and (5) the Member Account List for the District, copies of which are attached hereto as exhibits to these minutes. Mr. Yale remarked that the District's Bookkeeper would need to confirm that the ESI numbers for the District's electric service accounts as presented in the Member Account List were accurate. Mr. Yale mentioned that the District would continue its P3 membership through the Procurement cycle and contract period unless the Board opted to provide notice to P3 of its intent to withdraw from P3 on or before 30 March 2017. The Directors expressed their desire for the District to continue its P3 membership.

Landscaping Report

Director Ward reported on the status of landscaping activities in the District.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Directors Election

Next, the Board discussed matters relating to the 6 May 2017 Directors Election required for the District. Mr. Yale reported that as of 22 February 2017 the candidates to be listed on the ballot for the referenced election were unopposed and accordingly the District's Attorney would prepare an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE for adoption at the Board's meeting on 27 March 2017.

Continuing Disclosure

Mr. Yale reported that the District's consultants were preparing the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 March 2017.

Sierra Club / Survey of Water Utilities

Next, Mr. Yale reviewed with the Board an electronic mail message dated 27 February 2017 from Ruthie Redmond of the Lone Star Chapter of the Sierra Club in San Antonio, Texas. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. It was noted by the Board that the Sierra Club was conducting a survey of certain water utilities in Texas to collect feedback on their efforts to implement municipal Best Management Practices into their respective water conservation programs. The Board declined to take any action on this matter.

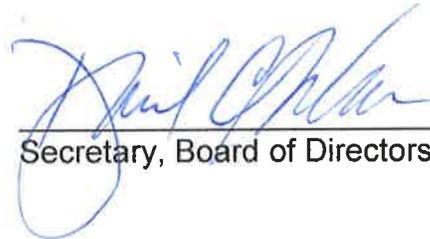
Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 7:44 p.m. to discuss matters relating to potential litigation. The Board returned to open session at 8:14 p.m.

There being no further business to come before the Board, the meeting was adjourned.




Secretary, Board of Directors

Harris County Municipal Utility District No. 102
Meeting of 27 February 2017
Attachments

1. Letter from Nancy Johnson;
2. Security Patrol Report;
3. WCA Monthly Customer Issue Listing;
4. Letter from Coats Rose to WCA;
5. Emails from T. Royal of WCA;
6. Letter from WCA / Notification of Rate Increase;
7. Tax Assessor/Collector's Report;
8. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
9. CERTIFICATE OF BOARD ACTION / Collection Charge on all Delinquent 2016 Taxes, Penalties, and Interest;
10. Operator's Report;
11. Letters from Alteris Insurance Services, Inc.;
12. Engineer's Report;
13. Detention Pond Maintenance Report;
14. Bookkeeper's Report;
15. Data Backup, Recovery Scheme and Disaster Recovery Plan;
16. Coats Rose memo / WHCRWA;
17. P3 Newsletter;
18. P3 Procurement Packet; and
19. Email from the Sierra Club.