

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

26 June 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 regular session, open to the public, on the 26th day of June, 2017, at the regular meeting place thereof, at 15300 Falmouth, Harris County, Texas, inside 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; Thomas Lee of Assessments of the Southwest, Inc. ("Assessments"), the District's Tax Assessor/Collector; Dana Hollingsworth 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; Shannon Waugh representing Off Cinco, the District's Webmaster; Deputy Robert Appleberry of the Harris County Sheriff's Department (the "Sheriff's Department"); Jerry Elick representing NOVA Development & Construction, Inc.; Will Yale and Caroline Jones of Coats Rose, P.C. ("Coats Rose"), the District's Attorney; and Tie Deng and Amy Deng, an interested party.

Director Ward called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 22 May 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 22 May 2017, as written.

Security Patrol Report

Deputy Appleberry addressed the Board regarding security related issues. A copy of the Security Patrol Report for May 2017 is attached hereto as an exhibit to these minutes. Deputy Appleberry noted that there had been several reports of burglaries of motor vehicles in the District during the reporting period. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Security Patrol Report.

Solid Waste Collection Service

Next, the Directors discussed matters relating to the solid waste collection service (the "Service") being provided in the District by Waste Corporation of Texas, L.P. ("WCA"), the District's Solid Waste Collector. Mr. Yale distributed to the Board copies of the Solid Waste Collection Report for the Service for May 2017, as prepared by WCA. A copy of the Solid Waste Collection Report is attached hereto as an exhibit to these minutes. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Solid Waste Collection Report.

Tax Assessor/Collector's Report

Mr. Lee distributed the Tax Assessor/Collector's Report for the month of May 2017, a copy of which is attached hereto as an exhibit to these minutes. He stated that as of 31 May 2017, the District's 2016 tax levy was 97.9% collected. He noted that the District's Tax Account had a balance of \$40,113.17 as of the end of this reporting period (31 May 2017). After deducting the disbursements for payment at today's meeting and adding collections received to date, he added, the District's Tax Account ends with a balance of \$47,277.08. He noted that Assessments was requesting approval for 10 checks written on the District's tax account, said checks including the transfer of \$7,373.73 in revenues from the tax for maintenance and operations to the District's Operating Fund.

The Board then reviewed the Unpaid Accounts Report dated 21 June 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.

Preliminary Report of Appraised & Taxable Values

Mr. Lee called the Board's attention to the Preliminary Report of Appraised & Taxable Values for the District for the 2017 tax year (the "Preliminary Report") as prepared by the Harris County Appraisal District (called "HCAD"). A copy of the Preliminary Report is attached hereto as an exhibit to these minutes. Mr. Lee noted that according to HCAD, the initial taxable value for the District for the 2017 tax year totals \$474,733,700, which does not include personal property values. When the personal

property values for the 2016 tax year are included, he continued, the total is \$487,579,295.

Request for Service / 2-acre Tract on Addicks-Satsuma Road

The President recognized Mr. Elick, who addressed the Board regarding a possible request for utility service to a proposed development in a certain 2-acre tract of land located on Addicks-Satsuma Road, outside the boundaries of the District (the "Deng Tract"). Mr. Elick stated that Mr. Deng, the new owner of the Deng Tract, desired to construct an addition to the existing sports bar in the Deng Tract, said addition to consist of a reception hall. He stated that there would be no kitchen facilities in the reception hall. A discussion ensued regarding the Deng Tract. The Directors remarked that Mr. Elick and Mr. Deng would need to present a request for water and sanitary sewer capacity for consideration by the Board. Mr. Yale remarked that in view of the Deng Tract being located outside the boundaries of the District, it would be necessary for the developer to place a deposit to cover the District's cost for the preparation of a feasibility study by the District's Engineer in connection with the possible annexation of the Deng Tract. The Directors expressed their desire for Mr. Elick and Mr. Deng to provide more information regarding the proposed development in the Deng Tract. Mr. Elick, Mr. Deng, and Ms. Deng then departed from the meeting. Mr. Yale recalled that the Deng Tract was currently receiving water service pursuant to an Agreement for Out-of-District Service (the "Agreement") between the District and Langham Bayou Sports, Inc. ("Langham Bayou Sports"), the former owner of the Tract. He stated that the Agreement was not assignable to the new owners of the Deng Tract without the written consent of the District and Langham Bayou Sports. The Directors then deferred further discussion regarding this matter to a future meeting of the Board.

Operator's Report

Next, Ms. Hollingsworth distributed the Operator's Report prepared by MDS for the month of May 2017. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 7,286,000 gallons of water and had purchased 23,725,000 gallons of water from the West Harris County Regional Water Authority (the "Authority") during the period of 15 April through 15 May 2017, with an accountability rate of 93.8%. She reported that the District had provided 2,304,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,005 active service connections, she told the Board. Then Ms. Hollingsworth reviewed the Wastewater Treatment portion of the Operator's Report. She noted that the District's Wastewater Treatment Plant (the "Plant") operated at 45.7% of design capacity during the May 2017 reporting period, with an average daily flow of 561,000 gallons per day ("gpd").

Ms. Hollingsworth 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. She reviewed with the Board the Preventive Maintenance Log for the District's facilities, a copy of which is included with

the Operator's Report. The Board then reviewed (1) charts depicting the monthly groundwater pumpage from the District's active water wells during the period of January 2012 to May 2017; and (2) charts depicting the influent and effluent testing results for May 2017 at the Plant, copies of which are 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.

Wastewater Treatment Plant / Permit Excursion

Ms. Hollingsworth next reported that a grab sample taken from the Plant effluent on 24 May 2017 had an E. Coli count of 1,230 colony forming units per milliliter ("CFU/ml") which exceeded the permitted limit of 197 CFU/ml. He reviewed with the Board the Noncompliance Notification that was filed by the District's Operator in connection with the permit excursion, a copy of which is included with the Operator's Report. Ms. Hollingsworth noted that the Plant experienced bulking in the clarifier in the days prior to the collection of the grab sample. She commented that the amount of solids in the Plant was lower than normal, which might have contributed to this permit excursion at the Plant.

Fire Hydrant Repairs

Next, the Board discussed the condition of the fire hydrants located in the District (the "Hydrants"). Ms. Hollingsworth reported that the repairs to the Hydrants as authorized at the Board's meeting on 24 April 2017 were expected to be completed by 30 June 2017.

District Facilities / Flooding Event on 18 April 2016

The Board then discussed matters relating to the District's Request for Public Assistance (the "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 major flooding event that occurred on 18 April 2016 in portions of Harris County (the "Flooding Event") that were not covered by the District's insurance policies. Ms. Hollingsworth reported that a conference call with the FEMA auditor was conducted by the District's Operator and Attorney on 1 June 2017 to discuss the portion of the RPA that pertained to the District's cost for the collection of storm debris by WCA (the "Collection Cost"). She stated that the FEMA auditor sent a list of documents and questions regarding the Collection Cost to be addressed by WCA. Ms. Hollingsworth noted that WCA had responded to FEMA's questions and request for documents earlier this date. Mr. Yale remarked that the FEMA auditor was continuing to present requests for information relating to the RPA and accordingly it might be necessary to schedule another teleconference with the FEMA auditor.

Termination of Service

Consideration was then given to the termination of water and sewer service to certain delinquent accounts. The President recognized Ms. Hollingsworth, 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

Ms. Hollingsworth reviewed with the Board the Customer Write-Off Report dated 26 May 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 \$614.10 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 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

Next, 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 June 2017 as prepared by AEI, a copy of which is attached hereto as an exhibit to these minutes. Mr. Kurzy mentioned to the Board that SWS had not submitted a Pay Estimate in connection with the Detention Pond Maintenance since January 2017.

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

Then the Directors 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.

Water Plant No. 1 / Spot-Coating Rehabilitation of Ground Storage Tanks

The Board discussed matters relating to the contract with Blastco Texas, Inc. ("Blastco") for the spot-coating rehabilitation of the 125,000 gallon ground storage tank ("GST") and 250,000 gallon GST at Water Plant No. 1 (the "GST Rehabilitation") as authorized at the Board's meeting on 23 January 2017. Mr. Kurzy reported that Blastco had moved on-site and had spot-cleaned and prime-coated selected areas on the GSTs. He stated that Blastco now needed to apply the final coating to match the existing final coating on the GSTs.

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 he was awaiting a response from the Commission on the SSO Initiative as submitted earlier this year by the District's Engineer. He informed the Board that a map depicting the overall rehabilitation of the District's wastewater collection system was being created for use with future SSO progress reports. He noted that educational pamphlets were included with the bills sent to the District's customers by the District's Operator during the June 2017 billing cycle.

Mr. Kurzy then submitted to and reviewed with the Board a memorandum dated 20 June 2017 from the District's Engineer regarding the status of the SSO Initiative Action Plan. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Survey of Sanitary Sewer Line Manholes

Mr. Kurzy reported that the District's Engineer was continuing its review of the survey (the "Survey") of the manholes on the District's sanitary sewer lines (the "Manholes") as prepared by the District's Operator and would determine which Manholes were most in need of immediate attention. He called the Board's attention to (1) a summary of the Survey; and (2) a map prepared by AEI that depicts the status of the Manhole system, copies of which are included with the Engineer's Report.

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 processing of the final request for payment from Magna Flow was still "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.

Wastewater Discharge Permit Renewal

Then Mr. Kurzy discussed the status of the renewal application for the District's discharge permit (the "Permit") that was submitted to the Commission prior to the deadline date of 1 November 2016. He reported that AEI was awaiting receipt of the final Permit from the Commission.

Wastewater Treatment Plant / TPDES Multi-Sector General Permit

Mr. Kurzy then discussed with the Board the status of the District's TPDES Multi Sector General Permit for stormwater run-off at the Plant site (the "MS4 Permit"). He stated that the District's Engineer was awaiting receipt of the new MS4 Permit from the Commission.

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 he had nothing new to report with regard to the Schellite Tract.

Harris County Municipal Utility District No. 257 / Abandonment of Water Line Easement

The Board briefly discussed the request from Terra Associates, Inc. ("Terra"), the engineer for Harris County Municipal Utility District No. 257 ("HCMUD 257"), for the consent of the District in connection with the proposed abandonment by HCMUD 257 (the "Abandonment") of a certain water line easement (H.C. Recordation No. T567690) located north of the District in the Reserves at FM 529 and Kentwick in HCMUD 257. Mr. Kurzy reported that, as authorized at the Board's meeting on 22 May 2017, the District's Engineer transmitted a letter to Terra stating that the Board had reviewed the request for the Abandonment and offered no objection to said Abandonment.

Storm Sewer Manhole / Sparks Valley Drive and Arcadian Shores

Next, Mr. Kurzy reported that the District's Engineer had investigated the depression located on the downstream side of a storm sewer manhole located at the southeast corner of Sparks Valley Drive and Arcadian Shores Drive in the District (the "Storm Sewer Manhole"). He remarked that the Storm Sewer Manhole appeared to be experiencing infiltration. He noted that maintenance of the Storm Sewer Manhole was the responsibility of Harris County, rather than the District. Accordingly, he continued,

AEI had submitted a work order request in connection with the Storm Sewer Manhole to Harris County Precinct 4 Community Assistance.

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 May 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 \$22,909.29 and that there were total receipts of \$302,587.00 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 \$307,484.76. 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 \$4,148,540.99 available for the District as of 26 May 2017.

Mr. Russell informed the Board that the District had received a payment of \$17,844.12 from the City of Houston (the "City") for the District's share of sales tax collections during March 2017 pursuant to the Strategic Partnership Agreement with the City for limited purpose annexation of commercial property in the District. Mr. Russell then reported that unclaimed funds totaling \$3,455.43 would be escheated to the Texas Comptroller's Office by the District's Bookkeeper.

Mr. Russell then reported that the balance of the District's Debt Service Fund, including investments, totals \$538,795.87 and the balance of the District's Capital Projects Fund, including investments, totals \$256,847.93 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 dated 1 June 2017. 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.

Amend Rate Order

Consideration was then given to amending the District's Consolidated Rate Order (the "Rate Order") with respect to the deposit to be placed with the District by a

developer in connection with a request for the annexation of land by the District (the "Annexation Deposit"). Mr. Yale noted that the District currently requires developers seeking the annexation of land to place an Annexation Deposit in the amount of \$10,000. He then informed the Board that effective 1 April 2017 the City had instituted a revised and expanded Water District Consent Application Form (the "Application Form") to be submitted with petitions for consent to annex land into a water district located in the City's extraterritorial jurisdiction. He explained that the new Application Form requires considerably more information to be provided by the District's Engineer with regard to the District's facilities and the tract to be annexed by the District. Mr. Yale recommended that the Board increase the Annexation Deposit to \$15,000. The Directors, upon consultation with the District's Attorney and Engineer, expressed their desire to increase the Annexation Deposit to \$17,500. After discussion, upon a motion duly made and seconded, the Board voted unanimously to amend Appendix D of the Rate Order to establish an Annexation Deposit in the amount of \$17,500. A copy of the amended Rate Order is on file in the permanent records of the District.

West Harris County Regional Water Authority

Mr. Yale distributed copies of a memorandum from Coats Rose, regarding the 14 June 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 23 May 2017, a copy of which is attached hereto.

Internet Web Site

The Board then discussed matters relating to the District's internet web site (the "Web Site"). Ms. Waugh submitted to and reviewed with the Board the monthly Analytics Report for the Web Site for May 2017, a copy of which is attached hereto as an exhibit to these minutes. The Directors discussed possible strategies for increasing internet traffic to the Web Site. Ms. Hollingsworth stated that she would look into whether the Web Site was linked to the web site for MDS. She added that the District's Operator could include an insert with the bills sent to the District's customers to provide information regarding the Web Site. Mr. Yale stated that he would look into strategies that other water district clients of Coats Rose have used to increase internet traffic to their respective web sites.

Landscaping Report

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

Attorney's Report

Mr. Yale presented the Attorney's Report.

Approval of Certified Agenda

The Directors considered approval of the certified agenda for the executive session of 24 April 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 24 April 2017, as written.

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 8:30 a.m. to discuss matters relating to possible litigation. The Board returned to open session at 8:50 p.m. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to act as discussed in executive session.

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



ASST. *[Handwritten Signature]*
Secretary, Board of Directors

Harris County Municipal Utility District No. 102
Meeting of 26 June 2017
Attachments

1. Security Patrol Report;
2. Solid Waste Collection Report;
3. Tax Assessor/Collector's Report;
4. Preliminary Report of Appraised & Taxable Values;
5. Operator's Report;
6. Engineer's Report;
7. Detention Pond Maintenance Report;
8. Memo from AEI Engineering / SSO Initiative Action Plan;
9. Bookkeeper's Report;
10. Coats Rose memo / WHCRWA;
11. P3 Newsletter; and
12. Monthly Analytics Report for Web Site.