

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

24 July 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 24th day of July, 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 with the exception of Directors Iken and Scholler, 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; 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; Jerry Elick, Izzat Nasser, and Tie Deng, representing Seven Star Plus, Inc.; Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), the District's Attorney.

Director Ward called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 26 June 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 26 June 2017, as written.

Security Patrol Report

The Board then discussed security related issues. Mr. Yale presented the Board with copies of the Security Patrol Report for June 2017 as prepared by the Harris County Sheriff's Department. A copy of the Security Patrol 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 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 June 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

Ms. Brittain-Drew distributed the Tax Assessor/Collector's Report for the month of June 2017, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 30 June 2017, the District's 2016 tax levy was 98.3% collected. She noted that the District's Tax Account had a balance of \$50,983.07 as of the end of this reporting period (30 June 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 \$35,170.07. She noted that Assessments was requesting approval for 13 checks written on the District's tax account, said checks including the transfer of \$6,715.48 in revenues from the tax for maintenance and operations to the District's Operating Fund.

The Board then reviewed the Unpaid Accounts Report dated 20 July 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.

Operator's Report

Next, Ms. Hollingsworth distributed the Operator's Report prepared by MDS for the month of June 2017. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 9,265,000 gallons of water and had purchased 30,092,000 gallons of water from the West Harris County Regional Water Authority (the "Authority") during the period of 15 May through 15 June 2017, with an accountability rate of 97.4%. She reported that the District had provided 2,560,000 gallons of water to Harris County Municipal Utility District No. 250

during the reporting period. The District currently has 3,015 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 45.6% of design capacity during the June 2017 reporting period, with an average daily flow of 612,000 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 1 January 2012 to June 2017; and (2) charts depicting the influent and effluent testing results for June 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.

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 complete.

District Facilities / Flooding Event on 18 April 2016

The Board then discussed matters relating to the District's Request for Public Assistance 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 that were not covered by the District's insurance policies. Ms. Hollingsworth recalled that the FEMA auditor sent a list of documents and questions regarding the District's cost for the collection of storm debris by WCA to be addressed by WCA. She stated that WCA had transmitted a reply to FEMA on 26 June that was followed by subsequent replies earlier this month.

District Administration Building

The Directors next discussed the condition of the District's Administration Building at Water Plant No. 2 (the "Building"). Ms. Hollingsworth briefly discussed with the Board the status of the repairs to the Building and replacement of damaged equipment (collectively, the "Building Repairs") as performed by Accent Home Repair and Remodeling, Inc. ("Accent"). She noted that Access was addressing certain follow-up items relating to the Building Repairs. Ms. Hollingsworth then reported that

during the past month three raccoons had gained access to the Building. She stated that the District's Operator would ask Accent to conduct an inspection of the Building with regard to locating and closing off possible points of access for small animals.

Welcome Packet for New Customers

Ms. Hollingsworth then reviewed with the Board a draft Welcome Packet for new customers in the District as prepared by MDS that would provide information relating to (1) contacting the District's Operator; (2) options for the payment of bills from the District; (3) the Service Agreement for water and sanitary sewer service; (4) the District's drinking water disinfection method; (4) the proper disposal of household grease, so-called "flushable wipes," and similar non-dispersing rags; and (5) a Notice of Right to Request Confidentiality. A discussion ensued regarding the Welcome Packet. Mr. Yale stated that the District's Attorney could provide language for the Welcome Packet with regard to a customer opting to receive communications from the District's Operator by text message or electronic mail message. Director Ward expressed his view that the Welcome Packet should include a statement declaring that the District would not sell the contact information for the District's customers to a third party.

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.

Engineer's Report

Next, 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 July 2017 as prepared by AEI, a copy of which is attached hereto as an exhibit to these minutes.

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 completed most of the work on the GST Rehabilitation.

Mr. Kurzy then submitted to and reviewed with the Board Change Order No. 1 to the GST Rehabilitation project, which would provide for cleaning and coating the well head at Water Plant No. 2 (in addition to cleaning and coating the well head at Water Plant No. 1). He noted that Change Order No. 1 would increase the cost of the GST Rehabilitation contract by \$1,500.00. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve Change Order No. 1. A copy of Change Order No. 1 as approved by the Board is attached hereto as an exhibit to these minutes.

Next, Mr. Kurzy reported that Blastco had submitted Pay Estimate No. 1 in the amount of \$12,600.00 in connection with the GST Rehabilitation project. A copy of Pay Estimate No. 1 is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve Pay Estimate No. 1 on the GST Rehabilitation project.

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.

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.

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 the Area B Inspection was complete. Mr. Kurzy submitted for the Board's review and approval the Certificate of Acceptance for the Area B Inspection project. Mr. Kurzy pointed out to the Board that the one-year

warranty period commenced on 29 June 2017 and would conclude on 29 June 2018. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize execution of the Certificate of Acceptance for the Area B Inspection project. A copy of the executed Certificate of Acceptance is attached hereto as an exhibit to these minutes.

Survey of Sanitary Sewer Line Manholes

Mr. Kurzy reported that the District's Engineer had completed its review of 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.

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

Next, the Directors discussed matters relating to the proposed development by Schellite, LLC ("Schellite") of a 10-acre tract located at 6010 Addicks-Satsuma Road (the "Schellite Tract"). Mr. Kurzy reported that the engineer for Schellite had requested permission to commence construction of the proposed commercial development in the Schellite Tract. In response, he told the Board, AEI had notified the engineer for Schellite that the District's Engineer had no objection to said construction.

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.

Storm Sewer Manhole / Sparks Valley Drive and Arcadian Shores

Next, the Board discussed the condition of a storm sewer manhole located at the southeast corner of Sparks Valley Drive and Arcadian Shores Drive in the District (the "Sparks Valley Manhole"). Mr. Kurzy reported that, to date, Harris County Precinct 4 Community Assistance had not responded to the work order request submitted by the District's Engineer in connection with the Sparks Valley Manhole.

Wastewater Treatment Plant / Effluent Basin

Mr. Kurzy then reported on the investigation conducted by the District's Engineer of the effluent basin at the Plant. After analyzing the data, he told the Board, the District's Engineer determined that there was a correlation between the count of total suspended solids (called "TSS") and the tested level of E. Coli in the Plant effluent. He called the Board's attention to the E. Coli Effluent Quality Evaluation graph as prepared by the District's Engineer, a copy of which is included with the Engineer's Report. Mr. Kurzy explained that within days of an elevated TSS count there followed an E. Coli grab sample that would exceed the Permit parameters. While there were outliers, he continued, there was still a correlation between the TSS count and the E. Coli sampling results. Mr. Kurzy remarked that if a high TSS count was encountered, there would be time to clean the effluent basin so as to negate the effects of the high TSS count. In the period since the District's Operator began the routine cleaning of the effluent basin, he continued, the TSS count does not appear to affect the sampling results for E. Coli.

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

The Board next discussed matters relating to a possible request from Mr. Deng 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. Kurzy reported that the District's Engineer investigated the sanitary sewer manhole (the "Manhole") located near the existing sports bar on the Deng Tract (the "Sports Bar"). He stated that the Manhole appears to have a sanitary sewer line that ties into the District's wastewater collection system. A discussion ensued regarding the proposed development of a reception hall on the Deng Tract (the "Reception Hall"). Mr. Yale recalled that the Directors had previously indicated that they did not desire to annex the Deng Tract into the District or provide out-of-District Service to the Reception Hall. He then 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 Deng Tract. Mr. Yale stated that the District's Attorney would request a title search on the Deng Tract to confirm whether the Agreement with Langham Bayou Sports had been recorded in the Official Public Records of Real Property of Harris County, Texas. He stated that the District's Attorney could prepare an Agreement for Out-of-District Service between the District and the current owner of the Deng Tract with regard to providing service to the Sports Bar but not the Reception Hall.

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 June 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 \$33,697.47 and that there were total receipts of \$274,406.18 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 \$287,800.38. 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 \$4,271,058.87 available for the District as of 24 July 2017.

Mr. Russell informed the Board that the District had received a payment of \$10,903.29 from the City of Houston (the "City") for the District's share of sales tax collections 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 \$538,933.52 and the balance of the District's Capital Projects Fund, including investments, totals \$255,008.42 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 3 July 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.

Annual Review of Unclaimed Property

Mr. Russell reported that unclaimed funds totaling \$3,455.43 had been escheated to the Texas Comptroller's Office by the District's Bookkeeper. Attached hereto as an exhibit to these minutes is a copy of the Texas Unclaimed Property Reporting System Report as provided by MCI.

Reschedule Board of Directors Meetings

Consideration was then given to rescheduling the 27 November 2017 Board meeting in view of the Thanksgiving holiday. After discussion, the Directors agreed to meet on 27 November 2017 as scheduled.

The Directors then considered rescheduling the 25 December 2017 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on 18 December 2017.

Voluntary Water Conservation

Consideration was then given to authorizing the second mailing of the year to the District's customers of a letter from the Board to the District's customers pursuant to the District's Drought Contingency Plan, requesting that customers voluntarily observe certain water conservation measures for restricting outdoor water use at all times (the "Second Mailing"). After discussion, the Directors agreed that the Second Mailing was not necessary at this time.

West Harris County Regional Water Authority

Mr. Yale distributed copies of a memorandum from Coats Rose regarding the 12 July 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 (1) a newsletter from P3 dated 11 July 2017; and (2) the Transaction Report from P3 dated 11 July 2017, copies of which are attached hereto. The Board discussed matters relating to P3's procurement of electric power supply for the period beginning 1 January 2020. Mr. Yale informed the Board that on 29 June 2017 P3 had executed on behalf of its membership an electricity supply agreement with the Texas General Land Office as represented by Cavallo Energy ("GLO/Cavallo") with a three-year term. He noted that GLO/Cavallo had submitted a winning bid with a fixed weighted three-year average price for the whole P3 group of \$0.032509 per kilowatt hour, which represents a projected reduction of approximately 16.4% from the electricity rates under P3's current contract.

Internet Web Site

The Board then discussed matters relating to the District's internet web site (the "Web Site"). Mr. Yale stated that the District's Engineer would ask Shannon Waugh of Off Cinco, the District's Webmaster, for recommendations regarding possible improvements to the Web Site that would encourage the District's customers to register to receive communications from the District's Operator by text message or electronic mail message.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Arbitrage Rebate Calculation Report / Series 2012 Refunding Bonds

Next, Mr. Yale submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated 13 July 2017 (the "Calculation Report") as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI") in connection with the fifth-year rebate installment computation period for the District's Series 2012 Refunding Bonds. A copy of the Calculation Report is attached hereto as an exhibit to these minutes. Also attached hereto is a copy of the Arbitrage Rebate Summary as prepared by ACSI in connection with the bonds issued by the District. Mr. Yale informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 2012 Refunding Bonds that might be due from the District to the U.S. Internal Revenue Service (the "IRS"). ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate as of the date of the Calculation Report, he told the Board.

85th Texas Legislature

Finally, Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes certain bills approved by the 85th Texas Legislature – Regular Session (2017) that could affect water district operations. A copy of the memorandum is attached to and shall be considered to be part of these minutes. He called the Board's attention to the following bills: (1) Senate Bill 255, which relieves water districts of the need for Texas Ethics Commission Form 1295 for contracts with publically-traded business entities or with electric utilities; (2) Senate Bill 622, which requires water districts to have a line item in their operating budget for newspaper publications; and (3) Senate Bill 2014, which allows the board of directors of a water district to approve a change order in a construction contract as long as the resulting change in the contract cost is \$50,000 or less and is determined to be beneficial to the water district.

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

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 24 July 2017
Attachments

1. Visitor Sign-in Sheet;
2. Security Patrol Report;
3. Solid Waste Collection Report;
4. Tax Assessor/Collector's Report;
5. Operator's Report;
6. Engineer's Report;
7. Detention Pond Inspection Report;
8. Change Order No. 1 / GST Rehabilitation at Water Plant No. 1;
9. Pay Estimate No. 1/ GST Rehabilitation at Water Plant No. 1;
10. Certificate of Acceptance / Inspection of sanitary sewer lines in Area B;
11. Bookkeeper's Report;
12. Texas Unclaimed Property Reporting System Report;
13. Coats Rose memo / WHCRWA;
14. P3 Newsletter and Transaction Report;
15. Arbitrage Rebate Calculation Report / Series 2012 Refunding Bonds;
16. Arbitrage Rebate Summary; and
17. Coats Rose memo / 85th Texas Legislature – Regular Session.