

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

27 November 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 27th day of November, 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; Cathy Brittain-Drew of Assessments of the Southwest, Inc. ("Assessments"), representing Thomas Lee, the District's Tax Assessor/Collector; David Smalling of Robert W. Baird & Company ("Baird"), the District's Financial Advisor; 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; Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), the District's Attorney; and Clint Kovar, a resident of the District.

Director Ward called the meeting to order.

Approval of Minutes

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

Security Service Contract

The Board discussed matters relating to the Security Service Contract (the "Contract") with Harris County (the "County"). Mr. Yale remarked that the County would soon prepare the Contract for the term beginning on 1 March 2018. He then inquired if the Board desired to continue to have six Deputies assigned to the District on a 70% basis for the Contract term beginning on 1 March 2018. The Board replied in the affirmative. Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Ward to execute the Contract subject to review by the District's Attorney.

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 Monthly Customer Issue Listing for the Service for October 2017, as prepared by WCA. A copy of the Monthly Customer Issue Listing is attached hereto as an exhibit to these minutes. A discussion ensued regarding the format of the Monthly Customer Issue Listing. The Board directed the District's Attorney to ask WCA to provide a report that summarizes the information presented in the Monthly Customer Issue Listing. Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Monthly Customer Issue Listing.

Tax Assessor/Collector's Report

Ms. Brittain-Drew distributed the Tax Assessor/Collector's Report for the month of October 2017, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 31 October 2017, the District's 2016 tax levy was 98.9% collected. She noted that the District's Tax Account had a balance of \$10,893.55 as of the end of this reporting period (31 October 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 \$9,234.23. She noted that Assessments was requesting approval for five checks written on the District's tax account.

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

Assignment and Assumption of Agreement for Services of Tax Assessor/Collector

The Board discussed matters relating to the Agreement for Services of Tax Assessor/Collector (the "Agreement"), as amended, between the District and Thomas W. Lee, R.T.A. Ms. Brittain-Drew informed the Board that Mr. Lee desired to assign the Agreement to Assessments. She submitted for the Board's review and approval the Assignment and Assumption of Agreement for Services of Tax Assessor/Collector (the "Assignment") as prepared by Assessments. Mr. Yale stated that the District's Attorney had reviewed the Assignment instrument. He remarked that by executing the Consent of the District provision in the Assignment instrument the Board would express its acknowledgement and consent of the Assignment of the Agreement to Assessments. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Assignment instrument and to authorize Director Ward to execute same. A copy of the executed Assignment instrument is attached hereto as an exhibit to these minutes.

Fourth Amendment to Agreement for Services of Tax Assessor/Collector

Ms. Brittain-Drew then submitted for the Board's approval a Fourth Amendment to Agreement for Services of Tax Assessor/Collector (the "Amendment"). She explained that under the Amendment: (1) the monthly rate charged to the District by Assessments would increase from \$0.95 per account to \$0.98 per account; (2) the hourly rate for a Registered Tax Assessor would increase from \$100 to \$150; (3) the hourly rate for a Non-registered Tax Assessor would increase from \$50 to \$75; (4) the monthly fee for expenses incurred by Assessments for complying with the District's Identity Theft Prevention Program would increase from \$175 to \$200; and (5) the unit cost for return envelopes would increase from \$0.04 to \$0.05. Ms. Brittain-Drew noted that the effective date of the Amendment would be 1 January 2018. A discussion ensued regarding the Amendment. Director Moorman asked Ms. Brittain-Drew to provide the Board with information regarding the actions taken by the District's Tax Assessor/Collector in connection with the District's Identity Theft Prevention Program. Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amendment and to authorize Director Ward to execute same. A copy of the executed Amendment is attached hereto as an exhibit to these minutes.

Possible Sale of Series 2018 Bonds / Bond Capacity Analysis

Next, the Board discussed the possible sale of bonds by the District bonds to finance the construction of certain capital improvement projects identified as Priority 1 Projects in the Capital Improvement Plan (the "CIP") as prepared by the District's Engineer. Mr. Smalling submitted to and reviewed with the Board a memorandum dated

27 November 2017 from the District's Financial Advisor regarding the District's capacity to sell bonds during calendar year 2018. A copy of the memorandum is attached hereto and shall be considered to be part of these minutes. He called the Board's attention to the Tax Rate Analysis which denotes the projected effect on the District's Debt Service tax rate as a result of the proposed sale of the bonds. A copy of the Tax Rate Analysis is included with the memorandum. Mr. Smalling informed the Board that the District's existing Debt Service tax rate would decrease by approximately 60% in 2019, and accordingly much of the currently used bond capacity would become available. With the issuance of the proposed Series 2018 Bonds in the aggregate amount of \$4,400,000, he continued, the District could decrease the Debt Service tax rate from \$0.33 per \$100 of assessed valuation for the 2017 tax year to \$0.19 per \$100 of assessed valuation for the 2018 tax year. A discussion then ensued regarding the possible schedule for the sale of the bonds. The Directors expressed their desire to sell the bonds in June 2018.

After further discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to prepare a Bond Application Report for the proposed sale of bonds to fund the Priority 1 Projects in the CIP.

Resolution Declaring Intent to Reimburse Project Costs from Bond Proceeds

Mr. Yale then submitted for the Board's review a draft RESOLUTION DECLARING INTENT TO REIMBURSE PROJECT COSTS FROM BOND PROCEEDS in connection with the proposed Priority 1 Projects. The Directors deferred consideration of the Resolution 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 October 2017. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 1,524,000 gallons of water and had purchased 26,184,000 gallons of water from the West Harris County Regional Water Authority (the "Authority") during the period ending 15 October 2017, with an accountability rate of 96.2%. She reported that the District had provided 1,844,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,000 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 66.5% of design capacity during the October 2017 reporting period, with an average daily flow of 550,000 gallons per day ("gpd").

Ms. Hollingsworth reported that the District's Water Well No. 2 ("Well No. 2") was removed from service during the reporting period due to problems with the programmable logic controller. She added that Well No. 2 had been returned to service.

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 October 2017; and (2) charts depicting the influent and effluent testing results for October 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.

Service Accounts / Hurricane Harvey

Next, Ms. Hollingsworth reported that the District's Operator had received four requests (the "Requests") by electronic mail from District customers for the Board to consider granting relief on water bills (the "Bills") for those customers who were affected by the Hurricane Harvey flooding event (the "Flooding Event"). A table listing the District customers who submitted the Requests during the reporting period is included with the Operator's Report. After discussion, the Board authorized the District's Operator to act at its own discretion with regard to the Requests.

Consideration was then given to granting a one-time credit (the "Credit") to the service accounts for all single-family residences in the District in view of the temporary suspension of the Service and sanitary sewer service during the Flooding Event. The Directors agreed to grant a Credit that was equivalent to a one-week fraction of the monthly rate charged to single-family residences for sanitary sewer service. Ms. Hollingsworth stated that the Credit as proposed by the Board would be approximately \$5.75 per service account. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to grant the Credit to the service accounts for single-family residences as described above.

The Board then considered distributing a message to the District's customers (the "Message") in order to (1) encourage those customers who experienced flood damage at their residence and had questions regarding their service account to contact MDS by telephone or electronic mail; and (2) remind the customers that collection efforts on delinquent service accounts would resume in January 2018. After discussion, the Board authorized Off Cinco, the District's Webmaster, to distribute the Message to the District's customers via text message and electronic mail blast.

District Facilities / Hurricane Harvey

The Board then discussed the status of the District's Request for Public Assistance ("RPA") that was filed with the Federal Emergency Management Agency ("FEMA") for reimbursement of the District's costs incurred in response to the Hurricane Harvey Flooding Event that were not covered by the District's insurance policies.

Ms. Hollingsworth informed the Board that MDS had filed the RPA with FEMA and that a case file had been established for same. She added that an exploratory teleconference with FEMA representatives was scheduled for 29 November 2017.

District Facilities / Flooding Event on 18 April 2016

The Board then discussed matters relating to the District's RPA filed with 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 (the "2016 Flooding Event") in portions of Harris County that were not covered by the District's insurance policies. Ms. Hollingsworth reported that the District's Operator and Attorney were continuing to respond to inquiries from the FEMA auditor in connection with the RPA for the 2016 Flooding Event.

Welcome Packet for New Customers

The Directors briefly discussed matters relating to the proposed 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. Mr. Yale stated that the District's Attorney was preparing language to be added to the Welcome Packet with regard to a customer opting to receive communications from the District's Operator by text message or electronic mail message.

Termination of Service

Consideration was then given to the termination of water 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. It was noted by the Board that there were no customers present to protest the utility billings. After discussion, the Directors agreed to waive termination of water service to delinquent accounts for the October and November 2017 billing periods in view of Hurricane Harvey and the Flooding Event.

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 November 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 Pay Estimate Nos. 81 and 82, each in the amount of \$225.37, for Detention Pond Maintenance. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate Nos. 81 and 82.

Water Plant No. 1 / 10,000-Gallon North Hydropneumatic Tank

The Board next discussed the condition of the 10,000-gallon north hydropneumatic tank (the "North HPT") at Water Plant No. 1. Mr. Kurzy reported that the District's Engineer met on-site with the coating representatives. Samples of the interior coating system in the North HPT were sent to the Tnemec Company for review, he told the Board. The analysis of the coating samples (the "Analysis") as performed by the Tnemec Company indicates that the coating samples might not have met the project specifications, said Mr. Kurzy. He reviewed with the Board a summary of the Analysis, a copy of which is included with the Engineer's Report. Mr. Kurzy stated that the District's Engineer was working the contractor, W. W. Payton Corp., to remedy the situation. A discussion ensued regarding the interior coating system in the North HPT. Mr. Kurzy remarked that there was no rust or corrosion in the interior of the North HPT that would account for the peeling of the interior coating system.

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

The Directors briefly 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 (the "Community Center") in addition to the existing Church facilities in the District. Mr. Kurzy reported that AEI had transmitted a letter to the engineer for the Church expressing no objection in connection with the submittal of the most recent set of revised plans for the proposed Community Center.

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. Mr. Kurzy reported that AEI had updated the map denoting the rehabilitation of the District's sanitary sewer system for use with future progress reports. He submitted to and reviewed with the Board a memorandum dated 21 November 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.

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 completed the plans for the development of the Schellite Tract. He added that AEI was awaiting submission of the final plat for the Schellite Tract.

Wastewater Treatment Plant / Effluent Basin

The Board discussed the proposed improvements to the effluent basin at the Plant (the "Basin"), to consist of permanently converting the disinfection system in the Basin to operate with bleach instead of the ultraviolet disinfection system (the "Conversion"). Mr. Kurzy reported that AEI had initiated the design work for the Conversion project.

Sanitary Sewer Lift Stations / Proposed Flood-Proofing

The Directors then discussed the proposed flood-proofing of the District's sanitary sewer lift stations (the "Flood-Proofing"). Mr. Kurzy reported that the District's Engineer had initiated the design work for the Flood-Proofing project.

Water Plant No. 2 / Ground Storage Tanks and Elevated Storage Tank

Mr. Kurzy reported that the 265,000-gallon ground storage tank (the "GST"), 300,000-gallon GST, and 500,000-gallon elevated storage tank at Water Plant No. 2 were due for a "hatch" inspection in December 2017.

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 October 2017 as well as the investments for each of the accounts maintained by the District. He reported that the balance of the District's Operating Fund, including the collections account, checking account, and investments, totals \$4,089,235.26 as of this date. Mr. Russell informed the Board that the District had received a payment of \$8,152.26 from the City of Houston (the "City") for the District's share of sales tax collections during August 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 the balance of the District's Debt Service Fund, including investments, totals \$384,689.94 and the balance of the District's Capital Projects Fund, including investments, totals \$220,716.55 as of this date. The Board then reviewed: (1) the District's Operating Budget for the fiscal year ending 30 September 2018; (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.

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

The Board discussed matters relating to the request from Tie Deng of Seven Star Plus, Inc. ("Seven Star Plus") 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, in which the Bayou Sports Bar is located. Mr. Yale reported that the District's Attorney had revised the proposed Agreement for Out-of-District Service between the District and Seven Star Plus (the "Service Agreement") pursuant to the discussion at the Board's meeting on 23 October 2017 and had transmitted the Service Agreement to Seven Star Plus for review and comment.

West Harris County Regional Water Authority

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

Mr. Yale then called the Board's attention to a letter dated 20 November 2017 from the Authority (the "Authority Letter"), a copy of which is attached hereto. He noted that the Authority Board had approved the proposed increase in its groundwater pumpage fee (the "Pumpage Fee") and surface water fee (the "Surface Water Fee") at its meeting on 8 November 2017. Effective 1 January 2018, he continued, the Pumpage Fee will be increased to \$2.70 per 1,000 gallons ("k/gal") of groundwater pumped, and the Surface Water Fee will be increased to \$3.10 per k/gal.

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 November 2017, a copy of which is attached hereto.

Internet Web Site

The Board briefly discussed matters relating to the District's internet web site (the "Web Site"). Director Iken inquired as to the number of District customers who had registered through the Web Site to receive notifications from the District via electronic mail blast. Ms. Hollingsworth stated that she would ask Shanna Waugh of Off Cinco to provide this information.

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 26 June 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 26 June 2017, as written.

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 27 November 2017
Attachments

1. Security Patrol Report;
2. Monthly Customer Issue Listing;
3. Tax Assessor/Collector's Report;
4. Assignment and Assumption of Agreement for Services of Tax Assessor/Collector;
5. Fourth Amendment to Agreement for Services of Tax Assessor/Collector;
6. Memorandum / Bond Capacity Analysis;
7. Operator's Report;
8. Engineer's Report;
9. Detention Pond Maintenance Report;
10. Memorandum / Sanitary Sewer Overflow Initiative Action Plan;
11. Bookkeeper's Report;
12. Coats Rose memo / WHCRWA;
13. Letter from WHCRWA / water rates; and
14. P3 Newsletter.