

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

18 December 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 18th day of December, 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: Dana Davis of Myrtle Cruz, Inc. the District's Bookkeeper; Cathy Brittain-Drew 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; Deputy Mike Guerrero of the Harris County Sheriff's Department (the "Sheriff's Department"); Cole Konopka 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 27 November 2017. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 27 November 2017, as written.

Security Patrol Report

Deputy Guerrero addressed the Board regarding security related issues. A copy of the Security Patrol Report for November 2017 is attached hereto as an exhibit to these minutes.

Security Service Contract

Next, the Board considered approval of the Security Service Contract with Harris County for the term of 1 March 2018 through 28 February 2019 (the "Contract"). Mr. Konopka called the Board's attention to Section 3.1 of the Contract ("Section 3.1"). He pointed out to the Board that the annual cost to the District for the assignment of six Deputies on a 70% basis under the Contract would total \$414,990.00, which represents an increase of 3% from the previous Contract term. Mr. Konopka noted that Section 3.1 of the Contract had been revised to include a requirement that each party paying for the performance of governmental functions or services under the Contract must make said payments from current revenues. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Contract and to authorize Director Ward to execute same. A copy of the Contract as executed by the Board is attached hereto as an exhibit to these minutes.

Solid Waste Collection Service

The Directors then 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. Konopka distributed to the Board copies of the Monthly Customer Issue Listing for the Service for November 2017, as prepared by WCA. A copy of the Monthly Customer Issue Listing 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 Monthly Customer Issue Listing.

Tax Assessor/Collector's Report

Ms. Brittain-Drew distributed the Tax Assessor/Collector's Report for the month of November 2017, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 30 November 2017, the District's 2016 tax levy was 98.9% collected. She noted that the District's Tax Account had a balance of \$62,832.45 as of the end of this reporting period (30 November 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 \$192,460.78. She noted that Assessments was requesting approval for seven checks written on the District's tax account, as well as the transfer by wire of \$21,927.10 in revenues from the tax for maintenance and operations to the District's Operating Fund. The Board then reviewed the Unpaid Accounts Report dated 15 December 2017, a copy of which is included in the Tax Assessor/Collector's Report.

The Board briefly discussed matters relating to the District's Identity Theft Prevention Program (the "Program") in connection with the property tax accounts for the District's customers (the "Tax Accounts"). In response to a question from Director Moorman, Ms. Brittain-Drew reviewed with the Board the procedures and controls implemented by the District's Tax Assessor/Collector in order to provide for the security of the Tax Accounts as required under the Program.

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 November 2017. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 1,321,000 gallons of water and had purchased 26,872,000 gallons of water from the West Harris County Regional Water Authority (the "Authority") during the period ending 15 November 2017, with an accountability rate of 94.2%. She reported that the District had provided 2,356,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,002 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 42.2% of design capacity during the November 2017 reporting period with an average daily flow of 545,000 gallons per day ("gpd"), and operated at 86.2% of design capacity during the 12-month period ending 30 November 2017.

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 November 2017; and (2) charts depicting the influent and effluent testing results for November 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 grab samples taken from the Plant effluent on 2 and 3 November 2017 had E. Coli counts of 255 and 476 colony forming units per

milliliter ("CFU/ml"), respectively, which exceeded the permitted limit of 197 CFU/ml. She reviewed with the Board the Noncompliance Notifications that were filed by the District's Operator in connection with the permit excursions, copies of which are included with the Operator's Report. Ms. Hollingsworth stated that the excursions were related to the use of the temporary effluent disinfection system at the Plant.

Service Accounts / Hurricane Harvey

Next, the Board discussed matters relating to the requests received from District customers earlier this year for the Board to consider granting relief on water bills for those customers who were affected by the Hurricane Harvey flooding event (the "Flooding Event"). Ms. Hollingsworth reported that the District's Operator had included with the billing statements for the November 2017 billing period a message (the "Message") encouraging those customers who experienced flood damage at their residence and had questions regarding their service account to contact MDS by telephone or electronic mail. She noted that the Message was also transmitted by electronic mail and text message to those District customers who had registered to receive electronic communications from the District. Ms. Hollingsworth stated that six District customers had replied and requested adjustments to their service accounts because of water line leaks or unusually high water usage during the rehabilitation of their residences.

Ms. Hollingsworth then reported that the District's Operator, as authorized by the Board at the meeting on 27 November 2017, had calculated a one-time credit (the "Credit") to be applied to the service accounts for all single-family residences in the District in view of the temporary suspension of the solid waste collection service and sanitary sewer service during the Flooding Event. She stated that the Credit in the amount of \$5.75 per service account will appear on the December 2017 billing statements for the service accounts for single-family residences.

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 (the "Reimbursement"). Ms. Hollingsworth informed the Board that MDS had filed the RPA with FEMA and that a case file had been established for same. She stated that the District's Operator had met with FEMA representatives to review the claims processing timeline and the required documentation for the Reimbursement. Ms. Hollingsworth stated that the damage assessment inventory with related costs was due to be submitted to FEMA by 31 January 2018.

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 recalled that on 13 November 2017 the District's Attorney had responded to an inquiry from the FEMA auditor in connection with the RPA for the 2016 Flooding Event. Mr. Konopka stated that, to date, the District's Operator and Attorney had heard nothing further from FEMA on this matter.

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. Konopka 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 (collectively, the "Communications").

Ms. Hollingsworth then reviewed with the Directors an electronic mail message from Shannon Waugh of Off Cinco, the District's Webmaster, regarding the number of District customers who had registered to receive the Communications. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. Ms. Hollingsworth noted that Ms. Waugh had recommended several methods for encouraging more of the District's customers to register to receive the Communications. Director Iken proposed that an insert regarding the Communications (the "Insert") be included with the billing statements to be sent to the District's customers in May and November of each year. The Board agreed with Director Iken's proposal. After further discussion, the Directors expressed their desire for Ms. Waugh to prepare a draft Insert for review by the Board.

Termination of Service

Consideration was then given to the termination of water service to certain delinquent accounts. The President recognized Ms. Hollingsworth, who recalled that at the 27 November 2017 Board meeting the Directors had agreed to waive termination of water service to delinquent accounts for the November 2017 billing period in view of Hurricane Harvey and the Flooding Event. Accordingly, the Board declined to take any action with regard to this matter.

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 December 2017 as prepared by AEI, a copy of which is attached hereto as an exhibit to these minutes. He noted that SWS had cleaned the storm quality features in both of the Detention Ponds. Mr. Kurzy commented that the outfall in the Waldron Estates Detention Pond had been damaged by vandalism.

Mr. Kurzy then informed the Board that SWS had submitted Pay Estimate Nos. 83 and 84, 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. 83 and 84.

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 had contacted the contractor, W. W. Payton Corp. ("Payton"), regarding the failure of the interior coating system in the North HPT. The one-year warranty period for the North HPT had expired, he told the Board, but Payton had quoted a reduced price of approximately \$4,000 to rehabilitate the interior coating system in the North HPT. Mr. Kurzy remarked that the cost for a coating project on a 10,000-gallon hydropneumatic tank would normally range from \$9,500 to \$10,000.

Federal Emergency Management Agency / Hurricane Harvey

Mr. Kurzy reported that the District's Engineer had met with Joseph Greco, the FEMA contractor assisting with funding and grants, to discuss potential projects for the rehabilitation of the District's facilities relating to damage from the Hurricane Harvey Flooding Event and protection against future possible flooding events (the "Projects"). He stated that the District's Engineer had completed and submitted a cost estimate for the Projects to FEMA. Mr. Kurzy added that he anticipated a future meeting with Mr. Greco and the FEMA Projects Director to discuss the Projects in depth.

Mr. Kurzy then called the Board's attention to the Initial FEMA Assessment map (the "Map") that denotes the location and extent of flood damage in the District from the

Hurricane Harvey Flooding Event. A copy of the Map is included with the Engineer's Report.

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 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 informational material for January 2018 had been forwarded to the District's Operator for distribution to the District's customers. He noted that work was continuing on the annual report to the Commission addressing the progress of the SSO Initiative (the "Annual Report"). He added that the Annual Report must be submitted to the Commission by January 2018. Mr. Kurzy then submitted to and reviewed with the Board a memorandum dated 13 December 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 of a 10-acre tract located at 6010 Addicks-Satsuma Road (the "Schellite Tract"). Mr. Kurzy stated that he had nothing new to report in regard to the Schellite Tract.

Bond Application Report / Series 2018 Bonds

The Directors discussed the status of the bond application report ("BAR") being prepared by the District's Engineer in connection with the proposed sale of the District's Series 2018 Bonds to fund the Priority 1 Projects in the Capital Improvement Plan (the "CIP") as prepared by the District's Engineer. Mr. Kurzy reported that AEI had initiated preparation of the BAR and anticipated submission of the BAR to the Commission in January or February 2018.

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 the design work for the Conversion project was

in progress. He added that the District's Engineer anticipated advertising the Conversion project in March 2018, with bids to be presented in April 2018.

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 was awaiting a response from FEMA with regard to the Flood-Proofing project.

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

Mr. Kurzy reported on the "hatch" inspections performed earlier this month on the 225,000-gallon ground storage tank (the "GST"), 300,000-gallon GST, and 500,000-gallon elevated storage tank (the "EST") at Water Plant No. 2. He stated that the EST and the 300,000-gallon GST were in good condition. He remarked that the interior coating system on the 225,000-gallon GST was beginning to show signs of deterioration but no action was required at this time. He added that the full inspection reports on the GSTs and the EST would be presented at the Board's meeting on 22 January 2018.

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

Bookkeeper's Report

Ms. Davis presented the Bookkeeper's Report, a copy of which is attached hereto and shall be considered to be part of these minutes. She reviewed the District's revenues and expenses for the month of November 2017 as well as the investments for each of the accounts maintained by the District. She reported that the balance of the District's Operating Fund, including the collections account, checking account, and investments, totals \$4,082,690.50 as of this date. Ms. Davis informed the Board that the District had received a payment of \$18,457.14 from the City of Houston (the "City") for the District's share of sales tax collections during September 2017 pursuant to the Strategic Partnership Agreement (the "SPA") with the City for limited purpose annexation of commercial property in the District.

Ms. Davis 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.

Renewal of Insurance Coverage

Next, the Board discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"), which expire on 20 March 2018. After discussion, the Board directed the District's Attorney to solicit a proposal from Arthur J. Gallagher & Co. for the renewal of the Insurance Policies.

Strategic Partnership Agreement with City of Houston

The Board discussed matters relating to the SPA the City. Mr. Konopka reported that earlier this date the City had provided the District's Attorney with a list of commercial entities in the District (the "Business List") to review in connection with the required annual update of the Business List. He noted that the Business List had been forwarded to Assessments for review and verification. A copy of the Business List as received from the City is attached hereto as an exhibit to these minutes.

Resolution Declaring Intent to Reimburse Project Costs from Bond Proceeds

Mr. Konopka 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 in the CIP. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto and shall be considered to be part of these minutes.

Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds

Next, Mr. Konopka submitted for the Board's review and approval a RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto and shall be considered part of these minutes.

West Harris County Regional Water Authority

Mr. Konopka distributed copies of a memorandum from Coats Rose, regarding the 13 December 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. Konopka distributed copies of a newsletter from P3 dated 12 December 2017, a copy of which is attached hereto.

Attorney's Report

Mr. Konopka presented the Attorney's Report.

Eminent Domain Reporting

Mr. Konopka reported that prior to 1 February 2018 the District's Attorney would file with the Texas Comptroller the annual report for the District containing certain information relating to the District's eminent domain authority pursuant to Senate Bill 1812 as approved by the 84th Texas Legislature – Regular Session 2015.

House Bill 8 / 85th Texas Legislature

Mr. Konopka gave the Board a brief overview of a memorandum from Coats Rose that summarized House Bill 8 ("HB 8") as approved by the 85th Texas Legislature, Regular Session – 2017. Mr. Konopka stated that HB 8 was an amendment to Section 551.089 of the Government Code to clarify that a governmental body is not required to address security assessments related to information resources technology, network security information, or the deployment of security personnel, infrastructure, or security devices in open session. He said that HB 8 also amended Section 2059.055(b) of the Government Code to clarify that network security information was confidential for governmental agencies such as municipal utility districts. A copy of the memorandum 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 Attorney's Report.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 7:15 p.m. to discuss matters relating to possible litigation. The Board returned to open session at 7:23 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. Secretary, Board of Directors



Harris County Municipal Utility District No. 102
Meeting of 18 December 2017
Attachments

1. Security Patrol Report;
2. Security Service Contract;
3. Monthly Customer Issue Listing;
4. Tax Assessor/Collector's Report;
5. Operator's Report – Part 1;
6. Operator's Report – Part 2;
7. Email from Shannon Waugh;
8. Engineer's Report;
9. Inspection Report for the Detention Pond Maintenance;
10. Memo from AEI / SSO Initiative Action Plan;
11. Bookkeeper's Report;
12. Email from City of Houston with list of commercial entities (SPA);
13. RESOLUTION DECLARING INTENT TO REIMBURSE PROJECT COSTS FROM BOND PROCEEDS;
14. RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL OF PROJECT AND BONDS;
15. Coats Rose memo / WHCRWA;
16. P3 Newsletter; and
17. Coats Rose memo / House Bill 8.