

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

17 December 2018

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 17th day of December, 2018, 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
Jason A. Iken	Secretary and Assistant Treasurer
Robert Moorman	Treasurer, Assistant Secretary, and Investment Officer
Richard Barbour	Assistant Secretary

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"), the District's Tax Assessor/Collector; Joseph Ellis representing McCall Gibson Swedlund Barfoot, PLLC ("McCall"), the District's Auditor; 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; Trevor Royal representing Waste Corporation of Texas, L.P. ("WCA"), the District's Solid Waste Collector; Randy Owens of Wright Close & Barger, LLP; and Will Yale and David Green of Coats Rose, P.C., the District's Attorney.

Director Ward called the meeting to order.

Approval of Minutes

The Board first considered approval of the minutes of the meeting of 26 November 2018. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 26 November 2018, 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 November 2018 as prepared by the Harris County Sheriff's Department (the "Sheriff's Department"). A copy of the Security Patrol Report is attached hereto as an exhibit to these minutes. After review, the Directors accepted the Security Report and directed the District's Attorney to attach a copy of same to these minutes.

Designation of Security Coordinator

Consideration was then given to designating a Director to communicate with the Sheriff's Department on security related matters and attend the security meetings that are periodically conducted by the Sheriff's Department in the area that includes the District. After discussion, the Board designated Director Barbour to serve as the Security Coordinator.

Solid Waste Collection Service

The Directors discussed matters relating to the solid waste collection service (the "Service") being provided in the District by WCA. Mr. Yale distributed to the Board copies of the Monthly Customer Issue Listing for the Service for November 2018, as prepared by WCA. A copy of the Monthly Customer Issue Listing is attached hereto as an exhibit to these minutes. After review, the Board accepted the Monthly Customer Issue Listing and directed the District's Attorney to attach a copy of same to these minutes.

Contract for Solid Waste Collection Service

The Board then discussed matters relating to the Residential Solid Waste Collection Contract between the District and WCA (the "Contract"). Mr. Yale noted that the current term of the Contract would expire on 30 April 2019. He then informed the Board that Mr. Royal of WCA was in attendance at this meeting to give a presentation regarding WCA. Mr. Royal addressed the Directors regarding WCA and responded to questions from the Board. He distributed to the Board a packet of informational material relating to WCA, a copy of which is attached hereto as an exhibit to these minutes.

Next, the Directors discussed the District's Request for Proposals (the "RFP") to be sent to certain solid waste collection contractors in connection with the renewal of the Contract. The Board discussed at length certain Service parameters to be stated in the RFP, including: (1) the use of customer-owned refuse containers or waste receptacles and recycling receptacles to be provided by the contractor; (2) the options for the duration of the Contract term; (3) the basis for the annual adjustment to the rate to be charged to the District for the Service; (4) the schedule for the collection of residential refuse and bulky refuse; (5) the schedule for the collection of recyclable materials; (6) the information to be listed in the monthly summary report to be presented

to the Board; and (7) whether the Service would be performed manually with rear-loading collection vehicles or with automated side-loading collection vehicles.

After further discussion, the Board directed the District's Attorney to (1) coordinate with Director Iken with regard to finalizing the RFP; and (2) transmit the RFP to Best Trash, LLC, Frontier Waste Solutions, Residential Recycling & Refuse of Texas, Texas Pride Disposal, and WCA.

Tax Assessor/Collector's Report

Ms. Brittain-Drew distributed the Tax Assessor/Collector's Report for the month of November 2018, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 30 November 2018, the District's 2017 tax levy was 98.2% collected and the 2018 tax levy was 4.9% collected. She noted that the District's Tax Account had a balance of \$170,791.73 as of the end of this reporting period (30 November 2018). 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 \$131,395.83. She noted that Assessments was requesting approval for 10 checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$77,826.43 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$50,000.00 to the Debt Service Fund.

The Board then discussed Assessment's online payment system for the electronic payment of property taxes due to the District (the "Online System"). Director Ward discussed with Ms. Brittain-Drew certain issues relating to the Online System. In response to a question from the Board, Ms. Brittain-Drew stated that she would investigate the number of the District's customers who are using the Online System at this time.

The Board then reviewed the Unpaid Accounts Report dated 13 December 2018, 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.

Annual Financial Report for the Fiscal Year ended 30 September 2018

The President recognized Mr. Ellis, who submitted to and reviewed with the Board the draft Annual Financial Report for the District (the "Report") for the fiscal year ended 30 September 2018 (the "Fiscal Year"). He reviewed with the Board (1) the District's combined fund balances as of the end of the Fiscal Year; (2) the District's total net assets; (3) the District's capital assets; (4) the amount of the District's bonded debt payable; (5) the Notes to Financial Statements; and (6) the Statement of Net Position and Governmental Funds Balance Sheet. Mr. Ellis reviewed with the Board the draft Management Letter prepared in connection with the Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Annual Financial Report for the District for the fiscal year ended 30 September 2018, subject to review by the Board and the District's consultants; (2) authorize Director Ward to execute the Affidavit of Filing of Annual Financial Report and the Letter of Representations to McCall; and (3) authorize Coats Rose, P.C. to file the finalized report with the Texas Commission on Environmental Quality (the "Commission") and other governmental agencies as required. Copies of the draft report are filed in the permanent records of the District. Attached hereto as exhibits to these minutes are copies of the Letter of Representations and a letter dated 17 December 2018 from the District's Attorney in connection with the Annual Financial Report.

Operator's Report

Next, Ms. Hollingsworth distributed the Operator's Report prepared by MDS for the month of November 2018. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 100,000 gallons of water and had purchased 22,972,000 gallons of water from the West Harris County Regional Water Authority during the period ending 18 November 2018, with an accountability rate of 98.4%. She reported that the District had provided 2,062,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,017 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 40.7% of design capacity during the November 2018 reporting period, with an average daily flow of 529,000 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 2015 to November 2018; and (2) charts depicting the influent and effluent testing results for November 2018 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 1 November 2018 had an E. Coli count of 19,900 colony forming units per milliliter ("CFU/ml"), which exceeded the permitted limit of 197 CFU/ml. She 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. She stated that the excursion was related to the use of the temporary effluent disinfection system at the Plant. Ms. Hollingsworth explained that a contractor had used the electrical outlet located in the ultraviolet treatment room, which caused the breaker to trip and in turn resulted in a disruption in the chlorine feed. She stated that the contractors at the Plant site now have a generator on site that they are to use for power.

Water Well No. 2 / Pump Motor Repairs

The Board then discussed the condition of the District's Water Well No. 2 ("Well No. 2"). Ms. Hollingsworth reported that Well No. 2 had been removed from service because the pump motor (the "Pump Motor") would trip the breaker on start-up. She then reviewed with the Board a proposal from C & C Water Services, LLC (called "C & C") to (1) repair the Pump Motor at a cost of \$24,105.00; or (2) replace the Pump Motor with a new unit at a cost of \$54,558.00. A copy of the C & C proposal is included with the Operator's Report. Ms. Hollingsworth explained that the proposed repairs to the Pump Motor would consist of rebuilding the unit. The Directors expressed their preference for the Pump Motor to be repaired rather than replaced. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the C & C proposal and to authorize the District's Operator to notify C & C to proceed with the repairs to the Pump Motor.

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 termination of utility service to those accounts shown on the Termination List that remain delinquent as of 26 December 2018.

Collection of Delinquent Accounts

Ms. Hollingsworth reviewed with the Board the Collection Accounts Detail Listing dated 29 November 2018 as prepared by the District's Operator. A copy of the Collection Accounts Detail Listing is included with the Operations Report. The Directors noted that there were four delinquent service accounts in the total amount of \$523.13 that would be turned over to a collection agency. After review, upon a motion duly made and seconded, the Board voted unanimously to 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 Collection Accounts Detail Listing.

Flags in Esplanade

Then the Board briefly discussed matters relating to the flags and flagpoles located in the esplanade on West Little York Road at Allerton Street (collectively, the "Flags"). Director Ward stated that the maintenance of the Flags was solely the responsibility of the Colonies Recreation Property Owners Association (the "Association"), rather than the District. Director Barbour reported that the Association was addressing 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

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 2018 as prepared by AEI, a copy of which is attached hereto as an exhibit to these minutes.

Mr. Kurzy then informed the Board that SWS had submitted a Pay Estimate in the amount of \$225.37 for Detention Pond Maintenance performed during November 2018. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of the Pay Estimate.

Federal Emergency Management Agency / Flood Mitigation Projects

Mr. Kurzy reported that the District's Engineer was continuing to coordinate with the Federal Emergency Management Agency ("FEMA") and the District's Operator with regard to the District's requests for funding of flood mitigation projects relating to (1) the Water Well No. 4 site; (2) Lift Station No. 2; (3) the on-site Lift Station at the Plant; and (4) the disinfection facility at the Plant (collectively, the "Mitigation Projects"). He noted that the District's Engineer had met twice with FEMA representatives during the prior three weeks. Mr. Kurzy reviewed with the Board the status of the proposals for the Mitigation Projects, as follows:

- On-site Lift Station at the Plant: AEI submitted the new estimate to FEMA for the replacement of the on-site Lift Station. AEI is striving to obtain additional information on past events at the Plant site to include with the documentation being submitted to FEMA.
- Plant Disinfection Facility: AEI was verbally notified that funding had been approved for the permanent conversion of disinfection system in the effluent basin in the Plant to operate with bleach instead of the ultraviolet disinfection

system (the "Conversion"). AEI is awaiting written confirmation regarding the funding for the Conversion project.

- Lift Station No. 2: AEI submitted the revised estimate for mitigation to FEMA and is awaiting a response.
- Water Well No. 4 site: AEI submitted the revised estimate for mitigation to FEMA and is awaiting a response.

Sanitary Sewer Overflow Initiative

Next, Mr. Kurzy reported on the status of the District's participation in the Sanitary Sewer Overflow Initiative (the "SSO Initiative") being promulgated by the Commission. He submitted to and reviewed with the Board a memorandum dated 13 December 2018 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.

Area B – Phase II Sanitary Sewer Televised Inspection and Evaluation

The Board next discussed matters relating to the 10-year televised inspection and evaluation of sanitary sewer lines in Area B – Phase II as performed by Magna-Flow Environmental, Inc. Mr. Kurzy expressed his understanding that the invoice from Duke's Root Control for the application of Razorooter II herbicide to certain sanitary sewer lines in Area A and Area B of the District's wastewater collection system had been sent to the District's Operator.

Mr. Kurzy then reviewed with the Board the proposed project schedule (the "Schedule") for the installation of "top hat" inserts for the connections between the main sanitary sewer lines and the lateral lines in certain segments of Area B (the "Insert Installation Project"). A copy of the Schedule is included in the Engineer's Report. The Directors noted that according to the Schedule, the District's Engineer planned to advertise for bids on the Insert Installation Project beginning on 28 March 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to take actions necessary to proceed with the Insert Installation Project.

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

Mr. Kurzy briefly reported on the status of the annual inspections of the ground storage tanks (the "GSTs") and the elevated storage tank (the "EST") at Water Plant No. 2. He stated that the 300,000-gallon GST and the 500,000-gallon EST were scheduled to be inspected on 18 December 2018 and that the inspection of the 265,000-gallon GST was scheduled for 19 December 2018.

Wastewater Treatment Plant Effluent Basin Conversion

The Directors next discussed the contract with N&S Construction Co., LP (called "N&S Construction") for the Conversion project at the Plant. Mr. Kurzy reported that N&S Construction had completed the demolition of the drying beds and the concrete work on the new chlorination basin at the Plant Site. He then pointed out to the Board that the contract was significantly behind schedule on the Conversion project. He explained that, to date, N&S Construction had completed 31% of the work on the project but the scheduled completion date for the Conversion project pursuant to the contract (the "Completion Date") was 13 December 2018. The District's Engineer notified N&S Construction of the contract stipulations that allow the District to deduct any additional costs incurred by the District in connection with the Conversion project, said Mr. Kurzy.

Mr. Kurzy then reported that N&S Construction had submitted Pay Estimate No. 4 in the amount of \$58,348.53 in connection with the Conversion project. A copy of Pay Estimate No. 4 is attached hereto as an exhibit to these minutes. The Directors expressed their desire to authorize payment of Pay Estimate No. 4 and withhold transmittal of the check to N&S Construction in view of the contractor's non-performance on the contract for the Conversion with respect to the Completion Date. After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize payment of Pay Estimate No. 4; and (2) authorize the District's Engineer to withhold the check for payment of Pay Estimate No. 4 as described above.

Wastewater Treatment Plant / Minor Permit Amendment

Mr. Kurzy reported on the status of the District's application to the Commission for a minor amendment to the District's Discharge Permit (the "Minor Permit Amendment"). He stated that the District's Engineer was awaiting receipt of the final Minor Permit Amendment at this time.

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 November 2018 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 \$4,973,782.70 as of this date. Mr. Russell informed the Board that the District had received a payment of \$9,710.05 from the City of Houston (the "City") for the District's share of sales tax collections during September 2018 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 \$350,224.88 and the balance of the District's Capital Projects Fund, including investments, totals \$3,818,246.51 as of this date. The Board then reviewed: (1) the District's Operating Budget for the fiscal year ending 30 September 2019; (2) the Summary of Costs relating to the District's Series 2018 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.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 8:10 p.m. to discuss matters relating to possible litigation. The Board returned to open session at 8:30 p.m. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Ward, the District's Attorney, and Mr. Owens to act as discussed in executive session.

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 2019. Mr. Yale reported that Arthur J. Gallagher & Co. ("Gallagher") was preparing a proposal for the renewal of the Insurance Policies. He added that the District's Attorney would solicit a proposal for the renewal of the Insurance Policies from McDonald & Wessendorff Insurance, LLC as soon as the current loss run information for the District was provided by Gallagher.

Review of District's Investment Policy

The Directors then reviewed the District's investment strategies, pursuant to the requirements of the Public Funds Investment Act. The Board reviewed the strategies for each of the District's accounts. The Board also reviewed the List of Authorized Brokers included as Exhibit "A" to the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution, a copy of which is attached hereto as an exhibit to these minutes.

Continuing Disclosure

Mr. Yale reported that the District's consultants would prepare the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 March 2019.

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 11 December 2018, a copy of which is attached hereto.

Landscaping Report

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

Attorney's Report

Mr. Yale presented the Attorney's Report.

Directors Election

The Board then discussed matters relating to the 4 May 2019 Directors Election required for the District. Mr. Yale remarked that Directors Ward and Iken have terms of office that would expire in 2019. Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney regarding the key dates for the Directors Election, a copy of which is attached hereto as an exhibit to these minutes. Mr. Yale added that the Board would need to adopt an order calling the Directors Election at the 28 January 2019 Board of Directors meeting.

Eminent Domain Reporting

Mr. Yale reported that prior to 1 February 2019 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.

Financial Advisor / Annual G-10 Notification

Finally, Mr. Yale submitted for the Board's review a letter dated 15 November 2018 from Robert W. Baird & Co. Incorporated ("Baird"), the District's Financial Advisor, a copy of which is attached hereto as an exhibit to these minutes. Mr. Yale explained that pursuant to certain amendments to Rule G-10 as promulgated by the Municipal Securities Rulemaking Board ("MSRB"), municipal financial advisors are required to

present certain written disclosures to their clients with respect to Investor and Municipal Advisory Client Education and Protection. Accordingly, he continued, the letter states that (1) Baird is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission and the MSRB; and (2) within the MSRB web site the District may obtain the Municipal Advisory client brochure that describes the protections that may be provided by the MSRB Rules, along with the procedures for filing a complaint with financial regulatory authorities.

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 17 December 2018
Attachments

1. Security Patrol Report;
2. WCA Monthly Customer Issue Listing;
3. WCA information packet;
4. Tax Assessor/Collector's Report;
5. Letter of Representations / Audit Report;
6. Coats Rose letter / Audit Report;
7. Operator's Report;
8. Engineer's Report;
9. Detention Pond Maintenance Report;
10. Memo from AEI / Sanitary Sewer Overflow Initiative Plan;
11. Pay Estimate No. 4 / Disinfection System Conversion;
12. Bookkeeper's Report;
13. RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES;
14. P3 Newsletter;
15. Coats Rose memo / Directors Election; and
16. Letter from Robert W. Baird & Co. Incorporated.