

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

22 July 2019

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 22nd day of July, 2019, 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: Amy Symmank of Myrtle Cruz, Inc. the District's Bookkeeper; Brittany Bogard 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; David Smalling of Robert W. Baird & Co. Incorporated, the District's Financial Advisor; Mike Kurzy, P.E., of AEI Engineering, L.L.C. ("AEI"), the District's Engineer; Kevin Atkinson representing Texas Pride Disposal ("TPD"), the District's Solid Waste Collector; and Will Yale and David Green of Coats Rose, P.C. ("Coats Rose"), the District's Attorney.

Director Ward called the meeting to order.

Public Comments

Mr. Yale reviewed with the Board an electronic mail message from District customer Justin Zim, who had inquired about the maximum water hardness level for the drinking water supplied by the District. A copy of the electronic mail message is attached hereto as an exhibit to these minutes. Mr. Yale noted that the District's Operator had responded to Mr. Zim's inquiry.

Request for Adjustment to Service Account

Then Ms. Hollingsworth reported that the District's Operator had received a request from a District customer for an adjustment to the service account for the residence at 5722 Saddlebred Drive (the "Residence") because of excessive water usage resulting from a leak in the irrigation system at the Residence. She reviewed with the Board an electronic mail message from Regina Walker, a copy of which is attached hereto as an exhibit to these minutes. Ms. Hollingsworth reviewed the History Ledger for the Residence and noted that Ms. Walker had been billed for water usage totaling 250,000 gallons during the May 2019 billing cycle, for a total bill of \$1,635.00. She stated that Ms. Walker had submitted a partial payment of \$500.00 on the amount due to the District on the service account. She noted that Ms. Walker was a tenant at the Residence and had stated in the electronic mail message that she had notified the owner of the Residence regarding the leak in the irrigation system. A discussion ensued regarding the request for adjustment to the service account. Director Ward remarked that \$880.00 of the balance due to the District on Ms. Walker's service account (the "Balance Due") was for payment of the surface water fee levied by the West Harris County Regional Water Authority (the "Authority"), and accordingly the District could not offer a credit for that portion of the Balance Due. Director Ward proposed that the District offer Ms. Walker a credit in the amount of \$732.00 on the Balance Due (the "Credit"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to offer Ms. Walker a Credit in the amount of \$732.00.

Approval of Minutes

Next, the Board considered approval of the minutes of the meeting of 24 June 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 24 June 2019, 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 2019 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. Director Barbour presented a report on his attendance at a recent meeting of security coordinators. Director Ward expressed his concern regarding speeding motorists on West Little York Road in the District. Director Ward added that he was continuing to receive comments from residents of the District regarding the lack of visibility of the contract officers assigned to the District. After review, the Directors accepted the Security Report and directed the District's Attorney to attach a copy of same to these minutes.

Solid Waste Collection Service

Next, the Directors discussed matters relating to the solid waste collection service being provided in the District by TPD (the "Service"). Mr. Yale distributed to the Board copies of the Monthly Service Report for June 2019, as prepared by TPD. Mr. Atkinson then responded to comments from the Board regarding the Service. Director Barbour commented that the TPD collection crews were placing the empty receptacles in the middle of the driveways on his street. Director Ward commented that the TPD collection crews occasionally commenced the Service in the District prior to 7:00 a.m. Director Iken remarked that the schedule for the Service during the Thanksgiving, Christmas, and New Year holidays (the "Holiday Schedule") needed to be posted on the District's internet website (the "Website"). Mr. Green stated that he would ask Off Cinco, the District's Webmaster, to post the Holiday Schedule on the Website. After review, the Board accepted the Monthly Service Report and directed the District's Attorney to attach a copy of same to these minutes.

Tax Assessor/Collector's Report

Ms. Bogard distributed the Tax Assessor/Collector's Report for the month of June 2019, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 30 June 2019, the District's 2018 tax levy was 98.3% collected. She noted that the District's Tax Account had a balance of \$49,900.65 as of the end of this reporting period (30 June 2019). 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 \$31,212.36. She noted that Assessments was requesting approval for seven checks written on the District's tax account, and two transfers by wire as follows: a transfer of \$7,535.76 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$5,000.00 to the Debt Service Fund.

The Board then reviewed the Unpaid Accounts Report dated 17 June 2019, 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.

Ultimate Value Analysis / 39-acre Tract Located South of Langham Creek / Langham Bayou Links, Ltd.

Next, Mr. Smalling submitted for the Board's review an Ultimate Value Analysis (the "Analysis") prepared by the District's Financial Advisor following the review of the feasibility study prepared by the District's Engineer (and presented at the Board's meeting on 24 June 2019) relating to the request from George Jarkesy for utility service to a certain 39-acre tract of land owned by Langham Bayou Links, LTD that is located south of Langham Creek, outside the boundaries of the District (the "LBL Tract"). A copy of the Analysis is attached hereto as an exhibit to these minutes.

Mr. Smalling reviewed the schedules of the Analysis in depth with the Board. He stated that Jarkesy has estimated the taxable value for the LBL Tract, including the proposed improvements to be constructed therein, at \$17,500,000. Based on the District's current debt service tax rate of \$0.25 per \$100 of assessed valuation, he continued, the LBL Tract would generate approximately \$42,568 in annual property tax revenue for the District. Mr. Smalling stated that said revenue would support a bond sale of approximately \$665,000 based on an annual payout of \$42,568 over 25 years with a 4.0% interest rate. If the Board levied a debt service tax rate of \$0.42 per \$100 valuation, he continued, the LBL Tract would generate approximately \$72,013 in annual property tax revenue for the District and that said revenue would support a bond sale of approximately \$1,125,000 based on an annual payout of \$72,103 over 25 years with a 4.0% interest rate. A discussion ensued regarding the Analysis and the proposed development of the LBL Tract. The Board then deferred further discussion regarding the LBL Tract 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 June 2019. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 9,730,000 gallons of water and had purchased 23,223,000 gallons of water from the Authority during the period ending 17 June 2019, with an accountability rate of 94.7%. She reported that the District had provided 2,447,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,013 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 58.9% of design capacity during the June 2019 reporting period, with an average daily flow of 766,000 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 2016 to June 2019; and (2) charts depicting the influent and effluent testing results for June 2019 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.

Contractor Damage Report

Ms. Hollingsworth presented the Board with the Contractor Damage Report prepared by the District's Operator that lists the amounts due to the District from certain contractors in connection with damage caused to the District's facilities during the period of 17 November 2018 to 11 January 2019. A copy of the Contractor Damage Report is attached hereto as an exhibit to these minutes.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 6:50 p.m. to discuss matters relating to possible litigation. The Board returned to open session at 7:00 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.

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.

Collection of Delinquent Accounts

Ms. Hollingsworth reviewed with the Board the Collection Accounts Detail Listing dated 27 June 2019 as prepared by the District's Operator (the "Detail Listing"). A copy of the Detail Listing is included with the Operations Report. The Directors noted that there were four delinquent service accounts in the total amount of \$289.90 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 Detail Listing.

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 July 2019 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 \$235.37 for Detention Pond Maintenance performed during June 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of the Pay Estimate.

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 Texas Commission on Environmental Quality (the "Commission"). He submitted to and reviewed with the Board a memorandum dated 17 July 2019 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. Mr. Kurzy reported that 3,053 educational pamphlets were included with the utility bills that were distributed to the District's customers in June 2019.

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) Lift Station No. 2; (2) Water Well No. 4; (3) the on-site Lift Station at the Plant; and (4) the disinfection facility at the Plant (collectively, the "Mitigation Projects"). Mr. Kurzy reviewed with the Board the status of the proposals for the Mitigation Projects, as follows:

- On-site Lift Station at the Plant: the FEMA representative is working on the use of FEMA Section 404 for State support of supplemental mitigation. AEI contacted the Texas General Land Office (the "GLO") regarding possible funding through the GLO's Hurricane Harvey Local Infrastructure Program, and was referred to the Harris County Community Service Department.
- Plant Disinfection Facility: AEI has sent the final project close-out documents to FEMA.
- Project Close-outs: AEI is working on closing out the Mitigation Projects relating to Lift Station No. 2 and Water Well No. 4. AEI received data from the District's Operator and is preparing the necessary documents for FEMA. AEI is working to

resolve an apparent discrepancy relating to the District having received payments on insurance claims that were higher than the amount projected by FEMA.

Water Plant No. 2 / 265,000 Gallon Ground Storage Tank

The Board then discussed the proposed blast cleaning and recoating of the interior of the 265,000 gallon ground storage tank at Water Plant No. 2 (the "GST Recoating"). Mr. Kurzy reported that the District's Engineer had initiated the design of the GST Recoating and expects to bring solicited bids to the Board's meeting on 23 September 2019.

Area B – Phase II Sanitary Sewer System Improvements

The Board then discussed the contract between the District and BLD Services, LLC (called "BLD") for the installation of "top hat" inserts on the connections between the main sanitary sewer lines and the lateral lines in certain segments of Area B – Phase II of the District's wastewater collection system (the "Insert Installation Project"). Mr. Kurzy reported that the pre-construction conference for the Insert Installation Project has been scheduled for 23 July 2019. He added that the Notice to Proceed on the Insert Installation Project would be issued at the pre-construction conference.

Request for Consent to Encroachment / Storage Partners of Hwy 6, LP

Mr. Kurzy then discussed with the Board the request from Storage Partners of Hwy 6, LP ("Storage Partners") for a Consent to Encroachment in connection with the Water Well No. 6 remote fill line easement (the "Easement"). He recalled that at the Board's meeting on 25 June 2019, the Directors had authorized the District's Attorney to prepare a Consent to Encroachment instrument between the District and Storage Partners. Subsequent to said meeting, he continued, a representative of RRJ Realty Management, Inc. informed the District's Engineer that the apparent encroachment on the Easement by the Storage Partners building was in fact an error by an engineer and accordingly no such encroachment existed.

Water Well No. 6 / Well Failure Analysis

Next, Mr. Kurzy submitted to and reviewed with the Board a memorandum dated 16 July 2019 and the Well Failure Analysis prepared by AEI in connection with the failure earlier this year of the District's Water Well No. 6 ("Well No. 6"). Copies of the memorandum and the Well Failure Analysis are attached hereto as exhibits to these minutes. Mr. Kurzy called the Board's attention to a summary of the Well Failure Analysis, a copy of which is included with the Engineer's Report. After inspecting the pump motor on Well No. 6 (the "Pump Motor") and the well site, said Mr. Kurzy, the District's Engineer determined that: (1) the Multilin unit on Well No. 6 recorded several high temperature alarms, none which were high enough to trip the Pump Motor but were high enough to temporarily shut down the Pump Motor; (2) due to the number of temperature alarms, it is believed that excessive heat caused the insulation in the Pump

Motor to deteriorate; (3) following the deterioration of the insulation, the minor surge caused by any startup or shutdown of the Pump Motor arced across the winding, thereby destroying the windings; and (4) the failure of the Pump Motor was not caused by a failure of the surge suppression system, nor was it caused by a lightning strike. Mr. Kurzy estimated the cost to conduct an additional investigation to confirm the cause of the high temperatures in the Pump Motor at \$2,500.

A discussion ensued regarding the Pump Motor. Mr. Kurzy recommended that the Multilin unit on Well No. 6 be programmed to alert the District's Operator if the Pump Motor starts up more than a certain number of times per hour (the "Programming"). Director Iken suggested that the Operator conduct a meeting with the individual who will perform the Programming. The Board agreed. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with the Programming.

Mr. Yale distributed to the Board copies of a letter dated 28 June 2019 from the Commission, approving the District's application to undertake the emergency repairs to the Pump Motor project on the basis of negotiated bids, pursuant to §49.274 of the Texas Water Code. A copy of the letter is attached hereto and shall be considered to be part of these minutes.

Agreement for Engineering Services / Revised Rate Schedule

Next, the Board discussed matters relating to the Agreement for Engineering Services between the District and AEI (the "AEI Agreement"). Mr. Kurzy submitted for the Board's review and approval the 2019 Rate Schedule for District Engineering Services (the "Rate Schedule") for the AEI Agreement. A copy of the proposed Rate Schedule is included with the Engineer's Report. Mr. Kurzy remarked that the rates charged to the District for professional engineering services were last adjusted on 22 August 2016. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the Rate Schedule.

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

Bookkeeper's Report

Ms. Symmank 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 June 2019 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 \$6,334,940.56 as of this date. Ms. Symmank informed the Board that the District had received a payment of \$9,496.38 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.

Ms. Symmank then reported that the balance of the District's Debt Service Fund, including investments, totals \$553,305.67 and the balance of the District's Capital Projects Fund, including investments, totals \$3,246,744.51 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.

Reschedule Board of Directors Meetings

Consideration was then given to rescheduling the 23 December 2019 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on 16 December 2019.

Voluntary Water Conservation

Next, the Directors considered 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 "Conservation Letter"). After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to distribute the Conservation Letter to the District's customers.

Telecommunication Systems at District Facilities / AT&T Invoices

The Board briefly discussed matters relating to the invoices submitted to the District by AT&T in recent years in connection with the land lines for the telecommunication systems at the District's facilities. Mr. Yale reported that Randall C. Owens of Wright Close & Barger, Attorneys at Law had prepared an AMENDED NOTICE OF HEARING stating that the PETITION TO TAKE DEPOSITION BEFORE SUIT PURSUANT TO TRCP RULE 202 had been set for 2:30 p.m. on 16 August 2019 in the 80th Judicial District Court of Harris County.

Website for District

Next, the Directors discussed matters relating to the operation of the District's Website. Mr. Yale submitted to and reviewed with the Board the Website Analytics Report for the period of 1 April to 30 June 2019 as prepared by Off Cinco, a copy of

which is attached hereto as an exhibit to these minutes. The Board reviewed the number of individuals who had registered through the Website to receive alerts and other messages from the District by text message and electronic mail. The Directors noted that as of 28 June 2019 the number of electronic mail subscribers totaled 932 and the number of text message subscribers totaled 188.

Landscaping Report

Director Ward reported on the status of landscaping activities in the District. He stated that he and Ron Heydon of LOL, Inc. dba Landscape Images of Texas had recently conducted an inspection of the landscaping at the District's facilities. Director Ward reported that the red tip photinia bushes on the perimeter of the Plant site were infected with leaf spot and would have to be removed. He stated that Mr. Heydon was preparing a proposal for the replacement of the red tip photinia bushes.

The Board discussed matters relating to a certain tract of land owned by the District and located west of the Water Plant No. 2 site (Reserve C of Colonies Commercial, Section 2, hereafter the "District Tract"). According to Mr. Heydon, said Director Ward, the District Tract does not qualify to be designated as a jurisdictional wetland that would be subject to federal regulation under the Clean Water Act because it does not contain the requisite plants. He continued that Mr. Heydon had recommended the cleaning of the swale in the District Tract in order to improve storm water drainage on the property.

Director Ward then noted that the perimeter fence at the Addicks-Satsuma Lift Station site (the "Perimeter Fence") was in poor condition. The Directors expressed their desire for the District's Operator to obtain proposals for the repair or replacement of the Perimeter Fence.

Attorney's Report

Mr. Yale presented the Attorney's Report.

86th Texas Legislature

Mr. Yale submitted to and reviewed with the Board a memorandum prepared by the District's Attorney that summarizes certain bills approved by the 86th Texas Legislature – Regular Session (2019) regarding certain information that will be required to be posted on water district websites. A copy of the memorandum is attached to and shall be considered to be part of these minutes.

Mr. Yale then reviewed with the Board a letter dated 26 June 2019 from Coats Rose to the District's Operator regarding Senate Bill 239 ("SB 239") as approved by the 86th Texas Legislature. A copy of the letter is attached hereto as an exhibit to these minutes. Pursuant to SB 239, he told the Board, the following statement must be included on the bills that the District's Operator sends to the District's customers: "For

more information about the district, including information about the district's board and board meetings, please go to the Comptroller's Special Purpose District Public Information Database (spdpid.comptroller.texas.gov) or www.hcmud102.org."

West Harris County Regional Water Authority

Mr. Yale distributed copies of two memoranda from Coats Rose regarding the meetings of the Authority's board of directors held on 12 June and 10 July 2019. Copies of the memoranda are attached hereto as exhibits to these minutes.

Power Supply Issues / Public Power Pool

Next, the Directors discussed matters pertaining to the aggregate purchase of electricity under the auspices of the Public Power Pool ("P3"). Mr. Yale distributed copies of a newsletter from P3 dated 9 July 2019, a copy of which is attached hereto.

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 22 July 2019
Attachments

1. Email from Justin Zim;
2. Email from Regina Walker;
3. Security Patrol Report;
4. Monthly Service Report;
5. Tax Assessor/Collector's Report;
6. Ultimate Value Analysis / Langham Bayou Links Tract;
7. Operator's Report;
8. Contractor Damage Report;
9. Engineer's Report;
10. Detention Pond Maintenance Report;
11. Memo from AEI / Sanitary Sewer Overflow Initiative Action Plan;
12. Memo from AEI with Well Failure Analysis;
13. Letter From TCEQ / emergency repairs to Well No. 6;
14. Bookkeeper's Report;
15. Website Analytics Report;
16. Coats Rose memo / 86th Texas Legislature / website requirements;
17. Coats Rose letter to Municipal District Services, L.L.C. / SB 239;
18. Coats Rose memo / WHCRWA meeting on 12 June 2019;
19. Coats Rose memo / WHCRWA meeting on 10 July 2019; and
20. P3 newsletter.