

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

26 August 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 26th day of August, 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 with the exception of Director Jordan, 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 ("Baird"), the District's Financial Advisor; Mike Kurzy, P.E., of AEI Engineering, L.L.C. ("AEI"), the District's Engineer; Deputy Jerry Pierre of the Harris County Sheriff's Department (the "Sheriff's Department"); George Jarquesy representing Jarquesy Merchant Capital, Ltd. ("JMC"); and Dick Yale, 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 22 July 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 22 July 2019, as written.

Security Patrol Report

Next, Mr. Will Yale presented the Board with copies of the Security Patrol Report for July 2019 as prepared by the Sheriff's Department. Deputy Pierre addressed the Board regarding security related issues. 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 (the "Service") being provided in the District by Texas Pride Disposal ("TPD"), the District's Solid Waste Collector. Mr. Yale distributed to the Board copies of the Monthly Service Report for July 2019 as prepared by TPD. A discussion ensued regarding the Service on the upcoming Labor Day holiday. The Board then directed the District's Attorney to notify Off Cinco, the District's Webmaster, to transmit by text message and electronic mail message a notification to the District's customers that the Service would take place as usual on 2 September 2019. Then, 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 July 2019, a copy of which is attached hereto as an exhibit to these minutes. She stated that as of 31 July 2019, the District's 2018 tax levy was 98.5% collected. She noted that the District's Tax Account had a balance of \$35,089.30 as of the end of this reporting period (31 July 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 \$35,984.11. She noted that Assessments was requesting approval for four checks written on the District's tax account, as well as a transfer by wire of \$4,678.48 in revenues from the tax for maintenance and operations to the District's Operating Fund.

The Board then reviewed the Unpaid Accounts Report dated 22 August 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.

Consider Setting Tax Rate for 2019

Next, the Board discussed the proposed tax rate for the 2019 tax year (the "Tax Rate"). Mr. Smalling submitted to and reviewed with the Board: (1) a letter dated 26 August 2019 from Baird; and (2) a copy of the 2019 Debt Service Tax Rate Analysis as prepared by Baird. Copies of the aforementioned documents are attached hereto as exhibits to these minutes. Mr. Smalling recommended that the Board consider setting a

debt service tax rate of \$0.23 per \$100 of assessed valuation for the 2019 tax year. He noted that a maintenance tax rate of \$0.35 per \$100 of assessed valuation would generate approximately \$1,761,156 in maintenance tax revenue. Mr. Yale then reviewed the procedures that the District would have to follow in setting the 2019 Tax Rate for the District. A discussion ensued regarding the Tax Rate. The Directors expressed their desire to levy a maintenance tax rate of \$0.35 per \$100 valuation.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize publication of the tax rate calculation showing a debt service rate of \$0.23 per \$100 valuation and a maintenance tax rate of \$0.35 per \$100 valuation for a combined tax rate of \$0.58 per \$100 valuation. The Board agreed that the tax rate hearing would be held on 23 September 2019.

Operator's Report

Next, Ms. Hollingsworth distributed the Operator's Report prepared by MDS for the month of July 2019. She reviewed the Water Production portion of the Operator's Report in detail. Ms. Hollingsworth reported that the District had produced 5,646,000 gallons of water and had purchased 27,291,000 gallons of water from the West Harris County Regional Water Authority during the period ending 19 July 2019, with an accountability rate of 97.7%. She reported that the District had provided 4,830,000 gallons of water to Harris County Municipal Utility District No. 250 during the reporting period. The District currently has 3,014 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 56.9% of design capacity during the July 2019 reporting period, with an average daily flow of 740,000 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 July 2019; and (2) charts depicting the influent and effluent testing results for July 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.

Wastewater Treatment Plant / Waste Receptacle Service

The Board discussed the service on the large waste receptacle at the Plant site (the "Receptacle Service"). Director Ward remarked that the District had received invoices for the Receptacle Service this month from both TPD and Waste Management

of Texas, Inc. ("Waste Management"). Ms. Hollingsworth responded that the District's Operator had canceled the account with Waste Management for the Receptacle Service. She went on to say that she would contact Waste Management regarding this matter.

Lift Station No. 1 / Perimeter Fence

Ms. Hollingsworth called the Board's attention to a proposal (the "Proposal") from All-Texas Fence, Inc. ("All-Texas") to remove and replace the perimeter fence and gate at the District's sanitary sewer Lift Station No. 1 (the "Fence and Gate") with an 8-foot wrought iron Fence and Gate at a cost of \$5,846. A copy of the Proposal is included with the Operator's Report. A discussion ensued regarding the Proposal. In response to a question from the Board, Ms. Hollingsworth stated that the Gate referenced in the Proposal was a swing gate. The Board directed Ms. Hollingsworth to request a revised Proposal from All-Texas that substitutes a cantilever sliding gate for the swing gate. The Directors then deferred further discussion on the Fence and Gate to a future meeting of the Board.

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, a copy of which is included with the Operator's Report.

Collection of Delinquent Accounts

Ms. Hollingsworth reviewed with the Board the Collection Accounts Detail Listing dated 31 July 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 was one delinquent service account in the total amount of \$146.63 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 amount owed to the District by the delinquent utility service account 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 August 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 \$225.37 for Detention Pond Maintenance performed during July 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. He submitted to and reviewed with the Board a memorandum dated 21 August 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 then reported that during July 2019 a wastewater overflow occurred at 15222 Baxter Lane (the "Overflow"). He submitted for the Board's review a memorandum dated 23 August 2019 from the District's Engineer regarding the Overflow, a copy of which is attached hereto as an exhibit to these minutes. In response to the Overflow, he told the Board, Source Point Solutions, LLC performed a televised inspection (the "Inspection") of the affected sections of the sanitary sewer line near the location of the Overflow (the "Sewer Line"). The Inspection indicated signs of grease accumulation in the Sewer Line, he told the Board. However, he continued, the results of the Inspection were inconclusive because of excess wastewater in the Sewer Line. Mr. Kurzy stated that AEI would direct BLD Services, LLC (called "BLD"), the contractor 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"), to perform a more thorough Inspection of the sanitary sewer lines in the vicinity of the Overflow.

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") 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 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") which has funding available for infrastructure projects. AEI received a sample application, which AEI estimated will cost approximately \$6,000 to \$8,000 to complete. AEI requested information from the GLO regarding the evaluation criteria and other information in order to determine whether it would be worthwhile for AEI to complete and submit the application. The GLO responded that no further information would be provided until the next application round is initiated.
- Project Close-outs: AEI submitted the closing information on the Mitigation Projects relating to Lift Station No. 2 and Water Well No. 4. AEI received notice from FEMA on 23 August 2019 that the deadline for completing the Mitigation Projects was 25 February 2019. AEI requested and received from FEMA an extension past the deadline date for the modifications to the Plant disinfection system. AEI has apparently completed all necessary requirements to date to satisfy the FEMA requirements.

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 for the Insert Installation Project. Mr. Kurzy reported that BLD had moved on-site and had completed the requisite cleaning and televised inspection of the sanitary sewer lines. He stated that BLD was now reviewing the video from the televised inspection and was ordering materials for the Insert Installation Project. Mr. Kurzy remarked that there was a certain quantity of tree roots to be removed from the sanitary sewer lines prior to the installation of the "top hat" inserts.

Water Well No. 6

The Board discussed the condition of the District's Water Well No. 6 ("Well No. 6"). Mr. Kurzy informed the Board that the District's Engineer had authorized Baird, Gilroy & Dickson, LLC to modify the automatic control system on Well No. 6 to lock out after repeated alarms until manually reset. He then called the Board's attention to a letter dated 8 August 2019 from C & C Water Services, LLC (called "C & C"), the contractor that performed the repairs to the pump motor on Well No. 6 (the "Pump Motor") as authorized by the Board at the meeting on 22 July 2019. A copy of the letter is included with the Engineer's Report. Mr. Kurzy noted that C & C had reinstalled the repaired Pump Motor on Well No. 6 on 7 August 2019. Upon start-up of the Pump

Motor, he continued, C & C noticed significant runout on the line shaft. According to C & C, he told the Board, the tube tension bearing became extremely hot within minutes of the start-up. Upon further investigation, said Mr. Kurzy, C & C determined that some of the down-hole line shaft bearings had possibly whipped out and were no longer with the manufacturer's tolerances. Accordingly, he continued, C & C recommended against operating Well No. 6 until the down-hole components were inspected because of the risk that further damage or a catastrophic failure could result from excessive whip in the line shaft.

A discussion ensued regarding Well No. 6. Mr. Kurzy estimated the cost to pull, inspect, and repair the down-hole components of Well No. 6 at approximately \$120,000 (the "Well Rehabilitation"). He noted that the District would have to advertise for bids on the Well Rehabilitation project. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to prepare the bid package for the Well Rehabilitation project.

Stormwater Drainage Ditch / Maple Trace Subdivision

Mr. Kurzy informed the Board that the Harris County Flood Control District (the "HCFCD") had requested certain information from the District's Engineer regarding a stormwater drainage ditch located adjacent to the Maple Trace Subdivision in the District. After discussion, the Board authorized the District's Engineer to provide the HCFCD with the requested information.

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

Request for Service and Annexation / 39-acre Tract Located South of Langham Creek / Jarquesy Merchant Capital, Ltd.

Next, the Board discussed the request from Mr. Jarquesy for utility service to and annexation of a certain 39-acre tract of land currently owned by Langham Bayou Links, LTD that is located south of Langham Creek, outside the boundaries of the District (the "LBL Tract"), and is being considered for development by JMC as a mobile home community (the "Development"). Mr. Jarquesy addressed the Board regarding the LBL Tract and the proposed Development. The Directors discussed with Mr. Jarquesy matters relating to the construction of certain facilities necessary to provide water and sanitary sewer service to the Development as outlined in the Feasibility Study that was prepared by the District's Engineer and presented at the Board's meeting on 24 June 2019. The Board noted that the Development is planned to have a master water meter and accordingly there would be no District maintenance internal to the Development. The Directors recalled that the wastewater collection system within the Development would be considered to be private because the LBL Tract would not be subdivided, and accordingly it is the responsibility of the developer to design, construct, operate, and maintain the wastewater collection system within the Development.

In response to a question from Director Moorman, Mr. Dick Yale stated that the District could impose certain land-use restrictions on a tract of land being annexed into the District (the "Restrictions"). He explained further that the Restrictions could be incorporated into the proposed Annexation, Service, Development and Financing Agreement between the District and JMC (the "Annexation Agreement"), which would then be recorded in the Official Public Records of Real Property of Harris County, Texas.

The Board discussed the possible reimbursement to JMC for eligible development costs related to the construction of (1) a new 8-inch water line from the District to the property line of the LBL Tract; and (2) the sanitary sewer force main to connect with the private lift station to be located outside the LBL Tract (collectively, the "Facilities"). After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Ward, Moorman, and Iken voting in favor, and Director Barbour opposed, to reimburse JMC for 50% of its eligible development costs related to the construction of the facilities. The Board then directed the District's Attorney to prepare a draft Annexation Agreement as described above for review at a future meeting of the Board.

A discussion then ensued regarding the developer deposit to be paid by JMC to cover the engineering and legal fees incurred by the District in connection with the annexation of the LBL Tract. Mr. Will Yale noted that, pursuant to the District's Rate Order, the District requires a deposit in the amount of \$17,500 for the annexation of a tract. Ms. Symmank noted that JMC had previously placed a deposit with the District in the amount of \$5,000 for preparation of the Feasibility Study on the proposed annexation of the LBL Tract. She added that the consultant expenses incurred to date by the District on the LBL Tract had exceeded the balance of the \$5,000 developer deposit by \$2,543. Mr. Yale proposed that JMC be required to place an additional deposit with the District in the amount of \$15,043, which would be equivalent to the annexation deposit of \$17,500 less the \$5,000 deposit previously placed with the District, and adding the \$2,453 currently due to the District from JMC. The Board agreed with Mr. Yale's recommendation.

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 July 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 \$6,315,542.89 as of this date. Ms. Symmank informed the Board that the District had received a payment of \$8,853.42 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 \$553,565.21 and the balance of the District's Capital Projects Fund, including investments, totals \$3,247,272.74 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.

Draft Operating Budget for Fiscal Year ending 30 September 2020

Ms. Symmank reviewed with the Board the draft Operating Budget for the District for the fiscal year ending 30 September 2020 (the "Budget"). She pointed out certain Expense items in the Budget to be reviewed by the District's Operator, Engineer, and Attorney. The Directors then deferred adoption of the Budget to a future meeting of the Board.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 8:00 p.m. to discuss matters relating to pending litigation. The Board returned to open session at 8:15 p.m. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize certain Directors to act as discussed in executive session.

Proposed Community Outreach Program

Next, the Directors discussed the possibility of the Board establishing a community outreach program (the "Program") for communicating with the residents of the District and providing them with information about the District in a timely manner (in addition to the electronic mail and text messaging service being provided by Off Cinco to registered customers). Mr. Yale provided the Board with copies of the Community Outreach presentation that was given earlier this year at the Annual Conference of the Association of Water Board Directors – Texas in Fort Worth (the "Presentation"). A copy of the Presentation is attached hereto as an exhibit to these minutes. Following their review and discussion of the Presentation, the Directors expressed their desire for the District to establish a presence in the social media on the internet. Mr. Yale remarked that Shannon Waugh of Off Cinco could provide advice to the Board regarding social media platforms that might be suitable for the Program. The Directors expressed their

desire for a representative of Off Cinco to attend the Board's meeting on 23 September 2019 to discuss this matter.

Landscaping Report

Director Ward reported on the status of landscaping activities in the District. He informed the Board that Ron Heydon of LOL, Inc., had provided two options with regard to replacing 40 red-tipped photinia trees (the "Trees") at the Plant site that were infected with leaf spot: (1) cut the existing Trees down to grade and plant new Trees at a cost of \$4,120; and (2) completely remove the existing Trees and plant new Trees at a cost of \$6,120 (called "Option B"). The Directors expressed their desire for the existing Trees to be removed prior to planting the new Trees. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Ward to notify LOL, Inc. to proceed with Option B as described above.

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 13 August 2019, a copy of which is attached hereto.

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) that would affect (1) the operation of the District; (2) the sale of bonds by the District; (3) annexation of property by municipalities; and (4) contracting and procurement by the District. A copy of the memorandum is attached hereto as an exhibit to these minutes.

Approval of Certified Agenda

The Directors next considered approval of the certified agenda for the executive session of 22 July 2019. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 22 July 2019, 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 26 August 2019
Attachments

1. Attendance Sheet;
2. Security Patrol Report;
3. Monthly Service Report from Texas Pride Disposal;
4. Tax Assessor/Collector's Report;
5. Letter from Robert W. Baird & Co. Incorporated with 2019 Debt Service Tax Rate Analysis;
6. Operator's Report;
7. Engineer's Report;
8. Detention Pond Maintenance Report;
9. Memo from AEI / SSOI Action Plan;
10. Memo from AEI / Sanitary Sewer Overflow Investigation;
11. Bookkeeper's Report;
12. Community Outreach presentation;
13. P3 newsletter; and
14. Coats Rose memo / 86th Texas Legislature.