

MINUTES OF BOARD OF DIRECTORS MEETING
APRIL 21, 2015

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 109

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The Board of Directors (the "Board") of Harris County Municipal Utility District No. 109 (the "District") met in regular session, open to the public, at the Holiday Inn Express & Suites Atascocita, at 5619 FM 1960 East, Humble, Texas 77346, at 6:01 p.m. on April 21, 2015, whereupon the roll was called of the members of the Board, to wit:

Owen Parker, President
Glenn R. Bogs, Vice President
Chris Green, Secretary
Robin Sulpizio, Assistant Secretary
Cheryl Moore, Treasurer/Investment Officer

All members of the Board were present. Also attending all or parts of the meeting were Mr. Clinton Gehrke of Water Waste Water Management Services, Inc. ("WWWMS"), operator for the District; Mr. Matt Froehlich and Mr. Nathan White of Brown & Gay Engineers ("Brown & Gay" or "BGE"), engineer for the District; Mr. Tim Spencer of Ad Valorem Appraisals, tax assessor and collector for the District; Mr. Don Rutt of Donald Rutt, C.P.A., bookkeeper for the District; Mr. Wilson McCoy of GIS Municipal Services; and Ms. Emerald Lagow, paralegal, of Norton Rose Fulbright US LLP, attorneys for the District.

The President called the meeting to order in accordance with notice posted pursuant to law, copies of the Certificates of Posting are attached hereto as Exhibit "A," and the following business was transacted:

1. **Minutes.** The Board considered the proposed minutes of the meeting of March 17, 2015, copies of which were previously distributed to the Board. Upon motion by Director Green, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 17, 2015, as presented.

2. **Receive comments from the public.** There were no members of the public present at this time.

3. **Renew District Insurance.** The Board reviewed the proposals received from Arthur J. Gallagher & Co. for renewal of the District's insurance policy with Waterworks Insurance Network ("WIN"). Discussion ensued regarding carrier options. Upon motion by Director Bogs, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the WIN Arch option insurance proposal, a copy of which is attached hereto as Exhibit "B."

4. **Engage auditor for fiscal year ending May 31, 2015.** The President noted that the auditor is requesting consideration of this item at the District's meeting in May.

5. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Spencer presented to and reviewed with the Board the Tax Assessor and Collector's Report for

the month of March 2015, a copy of which is attached hereto as Exhibit "C." Mr. Spencer noted that 96.63% of the District's 2014 taxes had been collected as of March 31, 2015. Mr. Spencer reviewed a summary of the District's tax roll information. He noted that the delinquent tax attorney filed suit on nine delinquent accounts this month. Upon motion by Director Green, seconded by Director Bogs, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, to authorize payment of check numbers 1602 through 1614 from the Tax Account to the person, in the amount, and for the purpose listed therein.

6. **Review Bookkeeper's Report.** Mr. Rutt presented to and reviewed with the Board the Bookkeeper's Report for the month of March 2015, a copy of which is attached hereto as Exhibit "D."

Mr. Rutt noted that there is \$7,382.14 remaining from the annexation deposit for the 18-acre tract.

Mr. Rutt presented to and reviewed with the Board a draft budget for the fiscal year ending May 31, 2016, a copy of which is attached to the Bookkeeper's Report. It was the consensus of the Board to review the draft budget and consider its adoption at the next Board meeting.

Upon motion by Director Bogs, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, and to authorize payment of the check numbers 11388 through 11413 to the persons, in the amounts, and for the purposes listed in the Bookkeeper's Report.

7. **Approve budget for fiscal year ending May 31, 2016.** This item was deferred.

8. **Adopt Resolution Approving Use of Letter of Credit, and approve Letters of Credit Agreement with Compass Bank.** The President reviewed with the Board a Resolution Approving Use of Letter of Credit from the Federal Home Loan Bank of Atlanta as Collateral for District Funds (the "Resolution") and the Letters of Credit Agreement with Compass Bank, copies of which are attached hereto as Exhibits "E" and "F," respectively. Upon motion by Director Green, seconded by Director Bogs, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution, and to approve and authorize execution of the Letters of Credit Agreement with Compass Bank.

9. **Engineer's Report.** Mr. White presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. White updated the Board on the status of construction in Rivergrove. He reported that Sections One and Two have been accepted by Harris County and are currently in the one year maintenance period.

Mr. White reported that Rivergrove Section Three passed TCEQ inspection and, after addressing the comments from Harris County, is currently awaiting the results of re-inspection. He reviewed with the Board JAHO, Inc.'s Pay Estimate No. 4 in the amount of \$6,650, and Pay Estimate No. 5 in the amount of \$18,219.75 for approval, copies of which are attached to the Engineer's Report.

Mr. White reported that Clearwater Utilities, Inc. finished construction on utilities to serve Rivergrove Section Four, and the paving contractor mobilized and has cut the streets. Mr. White presented to and reviewed with the Board Clearwater Utilities, Inc.'s Pay Estimate No. 1 in the amount of \$381,592.17 for approval, a copy of which is attached to the Engineer's Report.

Mr. White reported that clearing has been completed in Rivergrove Sections Five and Six. BGE is currently working on preliminary platting for Section Five. Mr. White requested that the Board authorize BGE to begin designing the plans for utilities to serve Section Five.

Mr. Froehlich reported that BGE is requesting authorization to proceed with design on expansion of Kings Lake Estates Lift Station No. 2. He noted that expansion of the Rivergrove development has reached the point that the lift station will be needed to accommodate the additional connections.

Mr. White reported that construction of utilities to serve Kings Lake Estates Section Eight should be completed within the next two weeks. He noted that weather prevented the contractor from mobilizing to begin construction on Lift Station No. 3, and that construction will resume once the area has dried. Mr. Froehlich noted that the contractor will solicit bids and begin paving work in Section Eight, and reported that BGE is requesting authorization to begin design of Kings Lake Estates, Section 9.

Mr. Froehlich reported that the attorney is presenting the final Petition for Consent to Addition of Land for execution by the Board in connection with annexation of the 18-acre tract at the corner of FM 1960 and Woodland Hills Drive, a copy of which is attached hereto as Exhibit "H." In response to a question from the President, Mr. Froehlich stated that the District is annexing the full 18-acres, after which the developer will proceed with the sale of the 2-acre portion on which the proposed gas station will be located.

Mr. Froehlich noted that KB Home Lonestar's new project manager is Lars Monson, a former BGE employee, who is taking the place of the former project manager, Mr. Robert Hulbert. He noted that BGE will continue to keep the Board updated on the status of construction.

Upon motion by Director Bogs, seconded by Director Green, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to approve Pay Estimate No. 4 in the amount of \$6,650 and Pay Estimate No. 5 in the amount of \$18,219.75 from JAH0, Inc. in connection with the Rivergrove Section Three construction project, to approve Pay Estimate No. 1 in the amount of \$381,592.17 from Clearwater Utilities, Inc. in connection with the Rivergrove Section Four construction project, to authorize the engineer to begin design work on utilities to serve Rivergrove Section Five, Kings Lake Estates Section 9, and the expansion of Kings Lake Estates Lift Station No. 2; and to authorize execution of the Petition for Consent to Addition of Land for inclusion in the District's application to the City of Houston for approval to annex the 18-acre tract.

10. **Authorize capacity commitments.** There were no new capacity commitments.
11. **Discuss and take any action in connection with annexation matters (18-acre tract).** This item was addressed under the Engineer's Report.
12. **Developer's Report.** There were no developers present at this time.

13. Discuss status of preparation of GIS System by GIS Municipal Services.

The President noted that Mr. Wilson sent a quarterly report on the District's GIS System for the Board's review, a copy of which is attached hereto as Exhibit "I."

14. Review Operations Report and authorize repairs. Mr. Villarreal presented to and reviewed with the Board the Operations Report for the month of March 2015, the lift station flow report, and a list of delinquent accounts, copies of which are attached hereto as Exhibit "J." Mr. Villarreal reported that 90.60% of the water pumped was billed for the period ending March 15, 2015.

Mr. Villarreal reported that there were no new tap requests this month.

Mr. Villarreal requested authorization to turn over for collection eight delinquent accounts totaling \$1,231.71.

Mr. Villarreal reported that WWWMS replaced the Polyphosphate LMI chemical feed pump at Water Plant No. 1 ("WP1"). He reported that the pump had a weakened diaphragm, and parts were not available to repair the old pump. WWWMS ordered and replaced the pump for \$2,000.

Mr. Villarreal reported that WWWMS is recommending rebuilding Booster Pumps 3 and 4 at WP1, and reviewed with the Board a quote from STP Services in the amount of \$6,800.00 to rebuild each pump, a copy of which is attached to the Operations Report. He noted that the pumps are running fine, but have not been serviced in several years. He recommended this item be added to the list of capital improvement projects.

Mr. Villarreal reported that WWWMS is recommending that the District consider installing a Ground Storage Tank and Booster Pumps at Water Plant No 2 in the near future. He noted that the well at WP1 is producing sand, and the groundwater storage tank will eventually need to be replaced. He noted that the contractor who inspected the water well recommended a video inspection of the well screens during the winter months to determine whether additional maintenance is needed. Mr. Froehlich noted that the addition would allow the District to take items offline for maintenance when required, rather than waiting until the winter months when demand is lower. Mr. Froehlich stated that he will bring an updated CIP list to the next meeting, for review in connection with approval of the budget.

Mr. Villarreal reported that the discolored water issues at Lake Baptist Church this month were related to Allied Fire Protection performing fire flow test on the fire hydrants behind the Church. He noted that WWWMS will take polyphosphate samples in the District to ensure iron levels in the District do not exceed normal levels.

Mr. Gherke reported that a resident at 18839 Lakeshire Drive called on March 23, 2015 and stated that WWWMS had restored services and flooded his house. Mr. Gherke noted that although the resident paid his delinquent water bill on March 13, 2015, WWWMS found no record of their service technician being near the resident's property based on the GPS record for the technician's vehicle.

Mr. Villarreal reported that a resident at 19827 Burle Oak Drive is requesting the Board's consideration on an extremely high bill due to a leak. Discussion ensued. It was the consensus for the Board to grant a credit in the amount of \$76.60, and to authorize the operator to work with the resident to develop a plan for payment of their remaining balance.

Mr. Villarreal reviewed the delinquent accounts listed for termination on April 23, 2015.

Director Green proposed that the District post an update on their website the next time there is a report of discolored water in the District. She noted that she emailed the website coordinator in response to the incident this month, but the issue had already been resolved.

Mr. Villarreal stated that WWWS will forward a notice to the website coordinator prior to semiannual flushing of hydrants in the District.

Discussion ensued regarding the schedule for maintenance of the booster pumps at the District's water plants. It was the consensus of the Board to authorize the operator to begin maintenance on the District's booster pumps at a rate of one per month.

Upon motion by Director Green, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to authorize termination of service to delinquent accounts.

15. **Executive Session pursuant to Section 551.074, Texas Government Code.**
The Board did not convene in executive session at this time.

16. **Other matters.** There were no other matters.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The above and foregoing minutes were passed and approved by the Board of Directors on May 19, 2015.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)