

MINUTES OF BOARD OF DIRECTORS MEETING
SEPTEMBER 19, 2017

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, 5619 FM 1960 East, Humble, Texas 77346, at 6:00 p.m. on September 19, 2017, whereupon the roll was called of the members of the Board, to wit:

Owen H. Parker, President
Vacancy, Vice President
Chris Green, Secretary
Robin Sulpizio, Assistant Secretary
Cheryl Moore, Director

All members of the Board were present. Also attending all or parts of the meeting were Sergeant Chris Zorzi and Deputy Jesus Morales of Harris County Precinct 4 Constable's Office; Mr. Ryan Nesmith of Robert W. Baird & Co., financial advisor for the District; Mr. Josh Rambo of McCall Gibson Swedlund Barfoot PLLC ("MGSB"), auditors for the District; Mr. Tim Spencer of Ad Valorem Appraisals, tax assessor and collector for the District; Mr. Cory Burton of Municipal Accounts & Consulting, LP, bookkeeper for the District; Mr. Matt Froehlich and Mr. Ryan George of BGE, Inc. ("BGE"), engineer for the District; Mr. Paul Villarreal of Water Waste Water Management Services, Inc. ("WWWMS"), operator for the District; and Ms. Brenda Presser, paralegal, of Norton Rose Fulbright US LLP ("NRF"), 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. **Public Comments.** There were no comments from the public.
2. **Appointment of a new director.** It was the consensus of the Board to defer this item to next month.
3. **Election of officers.** It was the consensus of the Board to table this item pending appointment of a new director.
4. **Security Report.** The President recognized Sergeant Zorzi, who reviewed highlights of the Security Report with the Board, a copy of which is attached as *Exhibit B*.
5. **Minutes.** The Board considered the proposed minutes of the regular meeting held on August 15, 2017 and special meeting held on August 23, 2017, 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 meetings held on August 15, 2017 and August 23, 2017, as presented.
6. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Nesmith, who presented to and reviewed with the Board the financial advisor's tax rate analysis and recommendation, a copy of which is attached hereto as *Exhibit C*. He recommended that the Board levy a total tax rate of \$0.50 per \$100 of assessed valuation, composed of an operations and maintenance tax of \$0.14 and a debt service tax of \$0.36.

The Board reviewed an Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions In Connection With the Levy of a Tax for 2017 (the "Order"), a copy of which is attached hereto as *Exhibit D*. Mr. Spencer stated that he will arrange for publication of the District's intent to levy a tax for 2017 in a newspaper of general circulation in the District.

Upon motion by Director Moore, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order, thereby authorizing the tax officer to publish the proposed tax rate of \$0.50 per \$100 assessed valuation (\$0.36 for debt service and \$0.14 for operations and maintenance).

7. **Tax Collector's Report and authorize payment of certain bills.** The President recognized Mr. Spencer, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of August 2017 and 2017 taxable values as of September 7, 2017, copies of which are attached hereto as *Exhibit E*. Mr. Spencer noted that 98.72% of the District's 2016 taxes had been collected as of August 31, 2017.

Mr. Spencer reviewed a summary of the District's tax roll information.

Upon motion by Director Moore, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report and to authorize payment of check numbers 1811 through 1813 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Approve audit for fiscal year ended May 31, 2017.** The President recognized Mr. Rambo, who presented to and reviewed with the Board the audit management and material weakness letters, and a draft audit for fiscal year ended May 31, 2017, a copy of which is attached hereto as *Exhibit F*. He stated that there have been no changes in audit and accounting standards since the previous year's audit. Mr. Rambo confirmed that MGSB will file the approved audit with the Texas Commission on Environmental Quality ("TCEQ") and Ms. Presser confirmed that NRF will file with the Texas State Comptroller's office. Upon motion by Director Green, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for fiscal year ending May 31, 2017 and to authorize filing with appropriate agencies.

9. **Authorize filing of Annual Continuing Disclosure Report.** Mr. Nesmith stated that the District is required to annually file updated financial information with the Municipal Securities Rulemaking Board at its fiscal year end, which includes the District's final audit in addition to certain tax and operating information gathered from District consultants. Ms. Presser requested the Board's authorization for NRF to prepare and file the Annual Continuing Disclosure Report on behalf of the District. Upon motion by Director Moore, seconded by Director Sulpizio, after full discussion and the question being put to the Board the Board voted unanimously to authorize NRF to prepare and file the District's Annual Report of Financial Information and Operating Data for the fiscal year ending May 31, 2017.

10. **Review Investment Policy and accept related party disclosures from bookkeeper and investment officer.** The Board reviewed a Resolution Reviewing Investment Policy and Making any Desirable Changes Thereto (the "Resolution"), a copy of which is attached hereto as *Exhibit G*. 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 adopt the Resolution as presented, and to accept the related disclosures from the bookkeeper and investment officer.

11. **Adopt Resolutions adopting amended and/or restated policies.** President Parker reported that changes have been made to the Code of Ethics to comply with the 2017 Legislative Regular Session. He stated that the Restated Fees and Expense Policy, Restated Policy Concerning

Selection, Monitoring, Review, and Evaluation of Professional Consultants; and Restated Policies Relating to Use of Management Information and Formation of an Audit Committee and are being presented for approval to adopt as separate policies. Upon motion by Director Moore, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Amended and Restated Code of Ethics, Restated Fees and Expense Policy, Restated Policy Concerning Selection, Monitoring, Review, and Evaluation of Professional Consultants; and Restated Policies Relating to Use of Management Information and Formation of an Audit Committee, copies of which are attached here to as Exhibit G, H, I, J and K, respectively.

12. **Review Bookkeeper's Report.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as *Exhibit L*. Mr. Burton reviewed disbursements from the General Operating Fund and reported that the amounts for check numbers 12397 through 12400 have been left blank pending receipt of invoices prior to the next meeting that will be paid without incurring late fees.

Mr. Burton reviewed the District's investments, noting the renewal of three Certificates of Deposit from the Debt Service Fund at Allegiance Bank, Texas Capital Bank and Central Bank.

Upon motion by Director Sulpizio, seconded by Director Moore, 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 checks in the amounts and for the purposes listed therein.

13. **Engineer's Report.** The President recognized Mr. Froehlich, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit M*. 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 Engineer's Report.

14. **Developer's Report.** Mr. Froehlich updated the Board on the status of Rivergrove. He presented and recommended approval of Pay Estimate No. 8 and Final from McDonald Municipal and Industrial in the amount of \$31,420.95 for construction of the Kings Lake Estates Lift Station No. 3. 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 payment to McDonald Municipal and Industrial for Pay Estimate No. 8 and Final in the amount of \$31,420.95.

15. **Review request for annexation of 1.56 acres.** Mr. Froehlich reported there has been no further communication from the developer.

16. **Review Operations Report and authorize repairs.** Mr. Villarreal presented to and reviewed with the Board the Operations Report dated September 19, 2017, the lift station flow report, and a list of delinquent accounts, copies of which are attached hereto as *Exhibit N*. Mr. Villarreal reported that 86.27% of the water pumped was billed for the period August 1, 2017 through August 31, 2017.

Mr. Villarreal reported that no delinquent accounts were terminated due to Hurricane Harvey. He reported that the District's facilities fared well during the storm and water and sewer service was provided without interruption to customers during the storm.

Mr. Villarreal reported that GM Services completed well pump performance testing on Water Well Nos. 1 and 2. He said that Water Well No. 1 test results revealed that it is operating in satisfactory condition and Water Well No. 2 is operating in good condition.

Mr. Villarreal reviewed and requested approval of a quote from CORRPRO in the amount \$1,680.00 to perform annual cathodic testing for elevated storage tank nos. 1 and 2.

Mr. Villarreal reported that during the construction of Kings Lake Estates Lift Station No. 2, the existing alarm was removed. He reviewed and recommended approval of a proposal from Today's Integration, Inc. in the amount of \$2,751.33 to re-install the alarm with new hardware.

Mr. Villarreal reviewed and recommended approval of a proposal from Today's Integration, Inc. in the amount of \$3,686.11 to install an alarm at the District's new lift station located at 5301-½ Quail Tree Lane.

Mr. Villarreal next discussed the flooded generator at the Turtle Cove Lift Station. He reviewed quotes from Coastal Power Products in the amount of \$21,400.00 and S.T.P. Services in the amount of \$23,750.00 for replacement. Mr. Villarreal stated that the quotes do not include fabrication of an elevated frame for the generator, noting an estimated cost of \$5,000.00. Discussion ensued regarding OSHA requirements for an elevated generator, required apparatus to perform maintenance on the generator, and costs for a Master plumber to connect and test gas lines. Mr. Villarreal recommended the District obtain a portable generator as a back-up until a decision is made on the replacement generator.

The following customers requested adjustments:

1. 4605 Belleau Woods East – Customer is requesting an adjustment due to a leak from a broken water line caused by a collapsed bridge during Hurricane Harvey. The customer repaired the line on September 1, 2017 and is requesting an adjustment for the water lost during the catastrophic event. Discussion ensued and it is the consensus of the Board to authorize a minimum payment for this month until WWWMS can investigate to determine that the leak is repaired and there are no other leak issues associated with this service line.

2. 6030 Gnarled Oaks Court – Customer is requesting an adjustment due to a leak in the sprinkler system. Mr. Villarreal reported the leak has been repaired and reviewed the customer's payment history. Discussion ensued and the Board requested that WWWMS coordinate with the homeowner on a payment plan.

3. 6008 Timber Oaks Ridge – Customer is requesting a six-month payment plan to pay outstanding balance after previous adjustments. It was the consensus of the Board to authorize WWWMS to coordinate with the customer to establish a six-month payment plan for the outstanding balance.

4. 18611 Artesian Way – The customer is requesting a waiver of the penalty charged for late payment. Mr. Villarreal reviewed the correspondence that reflects an August 31 mailing for a September 8, 2017 due date and issues with mail delivery due to Hurricane Harvey. He also stated the customer inadvertently paid to the incorrect account and the account was paid on September 12, 2017. It was the consensus of the Board to waive the penalty.

Mr. Villarreal reviewed the delinquent accounts and asked the Board's consideration regarding termination of delinquent accounts in accordance with the terms of the Rate Order.

Upon motion by Director Moore, seconded by Director Green, after full discussion and the question being put to the Board, the Board voted unanimously to: (1) approve the Operations Report; (2) authorize CORRPRO to perform annual cathodic testing for elevated storage tank nos. 1 and 2 at a cost of \$1,680.00; (3) approve a proposal from Today's Integration, Inc. in the amount of \$2,751.33 to re-install the alarm at Kings Lake Estates Lift Station No. 2 with new hardware; (4) approve the a proposal from Today's Integration, Inc. in the amount of \$3,686.11 to install an alarm at the new lift station located at 5301-½ Quail Tree Lane; (5) authorize WWWMS to obtain a temporary portable

generator for the Turtle Cove Lift Station; and (6) authorize WWWMS to make adjustments on customer accounts presented today.

17. **Review and discuss a proposal for the sale/lease of District property for a proposed communications facility.** Director Parker reported that a revised proposal has not been received by the District's attorney for review and requested that the Board defer this item. It was the consensus of the Board to defer to next month..

18. **GIS Quarterly Status Report.** The President reported that Wilson McCoy notified him that he is retiring and has conveyed his business to A&S Engineers, Inc. and will no longer maintain the District's GIS system. The Board requested that BGE and ST provide quotes for consideration to add maintenance of the District's GIS system and reporting to their responsibilities.

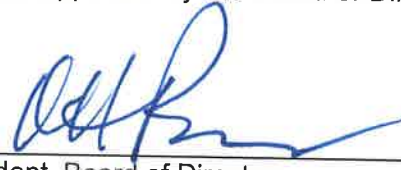
19. **Approve Engagement Letter for Arbitrage Compliance Services.** Ms. Presser presented to the Board an engagement letter for Arbitrage Compliance Services to prepare a tenth year report on the District's Unlimited Tax Refunding Bonds, Series 2008 for a fee of \$2,950.00. A copy of which is attached as *Exhibit O*. Upon motion by Director Green, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engagement letter for Arbitrage Compliance Services, as presented.

20. **Nominations for Harris County Appraisal District.** Ms. Presser stated that each taxing entity is offered an opportunity to serve or nominate someone to serve on the Board of Directors of the Harris County Appraisal District. She reported that Glen Peters is the incumbent that currently represents the interests of water districts. Discussion ensued and no nominations were presented.

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 October 17, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

