MINUTES OF BOARD OF DIRECTORS MEETING
SEPTEMBER 18, 2018

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

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 Atascocita Fire Department, 18425 Timber Forest Dr., Humble, Texas 77346, at 6:00 p.m. on September 18, 2018, whereupon the roll was called of the members of the Board, to wit:

Owen H. Parker, President
Chris Green, Vice President
Cheryl Moore, Secretary
Robin Sulpizio, Assistant Secretary
Nancy Frank, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were Mr. Kent Spitzmiller, President of the Board for Harris County Municipal Utility District No. 151 and member of the Atascocita Joint Operations Board; Mr. Bill Kimball, a District resident; Ms. Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; Mr. David Wood of RW Baird, financial advisors for the District; Lieutenant Steve Romero, and Deputy Morales of Harris County Precinct 4 Constable's Office; 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"), engineers for the District; Mr. Clint Gehrke of Water Waste Water Management Services, Inc. ("WWWMS"), operator for the District; and Dimitri Millas and Ms. Brenda Presser 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. **Minutes.** The Board considered the proposed minutes of the meetings held on August 21 and September 6, 2018, previously distributed to the Board. Upon motion by Director Sulpizio, seconded by Director Green, 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 21 and September 6, 2018, as presented.

2. **Public Comments.** President Parker recognized Mr. Kimball, who stated he had no comments for the Board.

3. **Security Report.** President Parker recognized Lieutenant Romero and Deputy Morales, who reviewed the Security Report for the month of August, 2018, which was previously distributed to the Board. A copy of the Security Report is attached as *Exhibit B.* 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 Security Report as presented.

4. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** President Parker recognized Mr. Wood, 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 $0.49 per $100 of assessed valuation, composed of an operations and maintenance tax of $0.13 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 2018 (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 2018 in a qualified newspaper of general circulation in the District.

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 adopt the Order, thereby authorizing the tax officer to publish the proposed tax rate of $0.49 per $100 assessed valuation ($0.36 for debt service and $0.13 for operations and maintenance).

5. **Tax Collector's Report and authorize payment of certain bills**. President Parker recognized Mr. Spencer, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of August 2018, a copy of which is attached hereto as *Exhibit E.* Mr. Spencer noted that 98.73% of the District's 2017 taxes had been collected as of August 31, 2018.

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

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1896 and 1897 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Approve audit for fiscal year ended May 31, 2018.** President Parker recognized Ms. McCain, 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, 2018 a copy of which is attached hereto as *Exhibit F.* She stated that there have been no changes in audit and accounting standards since the previous year's audit. Ms. McCain confirmed that MGSB will file the approved audit with the Texas Commission on Environmental Quality ("TCEQ"). Mr. Millas confirmed that NRF will file with the Texas State Comptroller's office. 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 audit for fiscal year ending May 31, 2018 and to authorize filing with appropriate agencies.

7. **Authorize filing of Annual Continuing Disclosure Report.** Mr. Millas stated that the District is required to annually file updated financial information with the Municipal Securities Rulemaking Board 180 days after its fiscal year end, which includes the District's final audit in addition to certain tax and operating information gathered from District consultants. He 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 Green, seconded by Director Moore, 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 ended May 31, 2018.

8. **Discuss outstanding debt.** The Board discussed proceeding with the calling of the District's Unlimited Tax Bonds, Series 2009 maturing October 1, 2022. Discussion ensued regarding the process and providing 30 days' notice to bondholders. Upon motion by Director Frank, seconded by Director Sulpizio, after full discussion and the question being put to the Board, the Board voted unanimously to call the Series 2009 Bonds maturing on October 1, 2022 on November 8, 2018.

9. **Review Bookkeeper's Report.** President Parker recognized Mr. Burton, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached

hereto as *Exhibit G.* Mr. Burton reviewed disbursements from the General Operating Fund and reported that check numbers 12973 and 12974 have been left blank pending receipt of invoices prior to the next meeting that will be paid without incurring late fees.

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 Bookkeeper's Report, to authorize payment of the checks in the amounts, to the persons, and for the purposes listed therein.

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

Mr. Froehlich reminded the Board of its previous decision to split the project for rehabilitation of Water Plant Nos. 1 and 2 into two separate projects to avoid unforeseen issues by expediting both projects. He reported that Water Plant No. 2 Elevated Storage Tank Rehabilitation advertised and eight bids were received. Following review of the bids, BGE recommends awarding the contract to CFG Industries, LLC, who submitted the lowest, most qualified bid for the project in the amount of $568,400.00.

Mr. Froehlich reported on some modifications to the plans for Water Plant No. 1 Hydro-Tank addition project in order to remain online during construction and manufacture of additional hydro-tank. He stated that modifications will result in a reduction of contract costs by approximately $11,931.00. Discussion ensued.

Mr. Froehlich reported on access issues regarding the water main break on Upper Lake because the repair point lies beneath the property owner's brick wall. Mr. Froehlich discussed suggesting to the property owner that, following repairs to the water main, the brick fence will be replaced with a chain link fence. He also reported that BGE has contacted the property owner and the property owner's representative has contacted with BGE, and BGE will continue attempts to connect with the representative.

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: (1) accept the Engineer's Report; (2) approve awarding a construction contract to CFG Industries, LLC, for $568,400.00 for Water Plant No. 2 Elevated Storage Tank Rehabilitation; and (3) approve Change Order No. 1 for a contract reduction of $11,391 for Water Plant No. 1 Hydro-Tank Addition.

11. **Developer's Report**. Mr. Froehlich reported that a Notice to Proceed will be issued upon the District's receipt of the fully executed Sales and Lease Agreement from the developer. Ms. Presser stated that the developer has received the Sales and Lease Agreement and has not returned the executed signature pages. NRF will follow up on the status.

Mr. Froehlich stated that BGE was contacted regarding service for an 82-unit hotel that will require approximately 24 ESFCs on will be located along the south side of 1960 within the boundaries of the District. He stated that no plans have been received for review and no action is requested of the Board.

12. **Discuss adjustments to the Rate Order and take appropriate action**. President Parker stated that the Board concurs to defer this matter until the next regular meeting.

13. **Review Operations Report and authorize repairs.** President Parker recognized Mr. Gehrke, who the Operations Report dated September 18, 2018, the lift station flow report, and a list of delinquent accounts, copies of which are attached hereto as *Exhibit I.* Mr. Gehrke reported that 91% of the water pumped was billed for the period August 1, 2018 through August 31, 2018.

Mr. Gehrke presented and reviewed customer requests for bill adjustments. Following a discussion of each issue and a review of payment histories, it was the consensus of the Board to authorize WWWMS to take the following action:

Bambiwoods – Approve a request for an extension for full payment of bill on September 28, 2018.
Misty Pines – Decline adjustment for bill and offer a payment plan; no history or back-up provided to support an adjustment.
Miloak Dr. – Approve a credit for a re-connection fee due to a post office issue related to move.
Dove Forest – Decline adjustment for bill; no history or back-up provided to support an adjustment..
River Brook Ct. – Approve a payment for six months.

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: (1) approve the Operations Report; and (2) terminate service to delinquent accounts in accordance with the terms of the District's Rate Order, except for the bill adjustments for the customers presented and discussed.

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 16, 2018.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 109

TEXAS