

MINUTES OF BOARD OF DIRECTORS MEETING
SEPTEMBER 20, 2016

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 20, 2016, whereupon the roll was called of the members of the Board, to wit:

Owen H. 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, except for Director Bogs.

Also attending all or parts of the meeting were Mr. Dave Ciarella of Enhanced Energy Services; Lieutenant Jonathan Zitzmann of Harris County, Precinct 4 Constable's Office; Mr. Stephen Eustis of Robert W. Baird & Co., financial advisor for the District; Mr. Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("MGSB"), auditors for the District; Mr. Don Rutt of Donald Rutt, C.P.A., bookkeeper for the District; Mr. Paul Villarreal and Mr. Clinton Gehrke of Water Waste Water Management Services, Inc. ("WWWMS"), operator for the District; Mr. Matt Froehlich of BGE, Inc. ("BGE"), engineer for the District; Mr. Tim Spencer of Ad Valorem Appraisals, tax assessor and collector for the District; and Ms. Brenda Presser, paralegal, of Norton Rose Fulbright US LLP, law firm representing 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 a meeting held August 16, 2016, 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 held August 16, 2016, as presented.

2. **Public Comments.** There were no comments from the public at this time.

3. **Report and presentation from Enhanced Energy Services.** Mr. Ciarella discussed general considerations and the District's electric usage history, and reviewed a summary of energy pricing results from Hudson Energy, Texas General Land Office, TXU, Entrust, Gexa, and savings from the District's current contract for contract periods of 12, 18, 24, 31, 36, 42, 48, and 60 months, a copy of which is attached hereto as *Exhibit B*. Mr. Ciarella stated that the District's current contract with Hudson Energy is a three-year contract that will expire in December, 2017. He discussed options for proposed savings to 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 approve a 42-month extension on the

District's current electricity contract with Hudson Energy presented by Enhanced Energy Services and to authorize the President to execute the contract extension documents.

4. **Approve audit for fiscal year ended May 31, 2016.** The President recognized Mr. Toldan, 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, 2016, a copy of which is attached hereto as *Exhibit C*. He stated that there have been no changes in audit and accounting standards since the previous year's audit. Mr. Toldan 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 Sulpizio, 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, 2016 and authorize filing with appropriate agencies.

5. **Engage auditor to prepare reimbursement audit.** Mr. Toldan requested approval of an engagement letter to prepare a reimbursement audit for disbursement of the District's Series 2016 bonds for estimated costs from \$7,000 to \$9,000. 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 engagement letter presented by McCall Gibson Swedlund Barfoot PLLC for preparation of a reimbursement audit.

6. **Approve and authorize filing of Annual Continuing Disclosure Report.** Mr. Eustis 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. 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 and authorize filing of the District's Annual Report of Financial Information and Operating Data for the fiscal year ending May 31, 2016.

7. **Tax Assessor'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, 2016, a copy of which is attached hereto as *Exhibit D*. Mr. Spencer noted that 98.88% of the District's 2015 taxes had been collected as of August 31, 2016.

Mr. Spencer reviewed Harris County Appraisal District's 2016 Certification of Appraisal Roll.

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 1736 and 1737 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Eustis, 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 E*. He recommended that the Board levy the same total tax rate of \$0.52 composed of an operations and maintenance tax of \$0.11 and a debt service tax of \$0.41, yielding surplus amounts that will support upcoming bond sales by the District for developer reimbursements.

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 2016 (the "Order"), a copy of which is attached hereto as *Exhibit F*.

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 \$0.52 per \$100 assessed valuation (\$0.41 for debt service and \$0.11 for operations and maintenance).

9. Review Bookkeeper's Report. The President recognized Mr. Rutt, who presented to and reviewed with the Board the Bookkeeper's Report and quarterly investment report, copies of which is attached as *Exhibit G*.

Mr. Rutt reviewed disbursements, noting that check nos. 11872 and 11883 through 11897 were voided due to printer malfunction.

Mr. Rutt reported that the financial institution that holds the District's Debt Service Funds has been purchased by another institution. He stated the new institution is requiring execution of a Corporate Resolution Filing Form (the "Resolution") in order to add the payee that purchased the District's Unlimited Tax Refunding Bonds, Series 2015 ("Series 2015 Bonds") to their database. He noted that the District's first debt service payment on the Series 2015 Bonds is due by October 1, 2016.

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, to approve the quarterly investment report, authorize payment of check numbers 11864 through 11871, 11873 through 11882, and 11898 through 11915. from the Operating Fund to the persons, in the amounts and for the purposes listed therein, to approve and authorize execution of the Corporate Resolution Filing Form.

10. Approve Resolution Authorizing Consultant Representative. Ms. Presser reported that Compass Bank has updated their resolution for improved online banking security and requested approval of a Resolution Authorizing Consultant Representative, attached as *Exhibit H*. 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 and authorize execution of the Resolution Authorizing Consultant Representative.

11. 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 I*. Ms. Presser noted that NRF does not have any recommended changes to the District's current policy. The Board agreed that no changes are needed. She confirmed that she has received executed disclosures from the District's bookkeeper and investment officer and will file with the Texas Ethics Commission. 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 adopt the Resolution as presented, and to accept the related disclosures from the bookkeeper and investment officer.

12. Engineer's Report. Mr. Froehlich presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit J*.

Mr. Froehlich reported that he will be meeting with the fence contractor on Thursday to excavate the locations of the damaged sewer under the brick fence, and determine a course of action for repairs for the damage to the District's sanitary line at Dawn Mist Court.

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 Engineer's Report.

13. **Developer's Report.** Mr. Froehlich updated the Board on the status of development and construction in Rivergrove, Section 3, 5 and 6. He presented and recommended approval of Pay Estimate No. 2 for \$24,719.00 to Lischka Utilities for utility construction to serve Rivergrove, Section 5. Mr. Froehlich then presented and requested approval of Change Order No. 2 in the amount of \$10,334.00 for installation of additional drainage swales and inlets and modification of existing inlets in the CenterPoint easement.

He reported on the Kings Lake Estates Lift Station No. 2 Expansion and stated the construction is substantially complete and a quote has been requested from Camino Services to restore the crushed concrete access driveway for the lift station. He presented and recommended approval of Pay Estimate No. 6 for \$74,210.09 to T & C Construction, LTD.

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 Pay Estimate No. 2 for \$24,719.00 and Change Order No. 2 for \$10,334.00 to Lischka Utilities for utility construction to serve Rivergrove, Section 5, and approve Pay Estimate No. 6 for \$74,210.09 to T & C Construction, LTD for Kings Lake Estates Lift Station No. 2 Expansion.

14. **Status Report from GIS Municipal Services.** There was no report.

15. **Review Operations Report and authorize repairs.** The President recognized Mr. Villarreal, who presented to and reviewed with the Board the Operations Report dated September 20, 2016, the lift station flow report, and a list of delinquent accounts, copies of which are attached hereto as *Exhibit K*. Mr. Villarreal reported that 91.13% of the water pumped was billed for the period July 1, 2016 thru August 1, 2016.

Mr. Villarreal reported that he met with Ms. Watkins on Mossy Timbers, as discussed in last month's meeting, and no leaks were detected inside or outside the home. He also investigated the irrigation system and confirmed the settings were minimal. He reviewed Ms. Watkins payment history with the Board. After a full discussion, it was the consensus of the Board to offer Ms. Watkins a payment plan.

Mr. Villarreal updated the Board on the request for an adjustment from a customer on Bambiwoods Court, noting the customer has paid the account in full and there are no other issues.

Mr. Villarreal presented a request from a customer on Jasmine Meadows who is requesting a payment plan. He reported that the customer's grass had grown around her sprinklers and she was unable to detect sprouting water. After a full discussion, it was the consensus of the Board to adjust the sewer charge and offer a payment plan.

Mr. Villarreal presented a customer's request for an adjustment due to an undetected pipe had burst between the water main and the customer's house. The customer has since had the leak repaired. After a full discussion, it was the consensus of the Board adjust the bill, and offer a payment plan.

Mr. Villarreal discussed a customer request received this afternoon regarding a meter read discrepancy with the amount of usage posted in the bill. He stated that he will investigate.

Mr. Villarreal reported on a sewer back-up that occurred after 9:00 pm and noted that sewer main was relieved after 11 pm. He stated that the resident had sewage in their home and the District's claim was denied by the District's insurance carrier. He reported that Source Point televised the sewer line and found a brick in the line between two manholes. Director Parker stated that he will follow up with the District's insurance company.

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 Operations Report, and to authorize the termination of service to delinquent accounts in accordance with the District's Rate Order.

16. **Approve Interlocal Agreement for Law Enforcement Services.** Lieutenant Zitzmann discussed the Contract Deputy Program and reviewed the proposal, attached hereto as *Exhibit L*. He reported the District will be assigned one deputy who will work rotating shifts and the contract term will be March 31, 2016 through February 1, 2017. He stated that if the District is interested in contracting for law enforcement services, Harris County, Precinct 4 Constable's Office will need to receive a Letter of Intent by October 31, 2016. After full discussion, the Board deferred action on this matter to a special meeting.

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 18, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

