

MINUTES OF BOARD OF DIRECTORS MEETING
SEPTEMBER 17, 2019

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 Atascocita Fire Department, 18425 Timber Forest Dr., Humble, Texas 77346, at 6:00 p.m. on September 17, 2019, 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, except Director Frank, thus constituting a quorum. Also attending all or parts of the meeting were Ms. Bobbie Ireland and Mr. Bill Bedell, District residents; Mr. Brian Toldan 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 Corporal Carl Gamble 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 of BGE, Inc. ("BGE"), engineer for the District; Mr. Clint Gehrke and Ms. Frayde Torres of Water Waste Water Management Services, Inc. ("WWWMS"), operator for the District; and Mr. 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 meeting held on August 20, 2019, previously distributed to the Board. 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 minutes of the meeting held on August 20, 2019.

2. **Public Comments.** President Parker recognized Ms. Ireland, who is attending the meeting to address water quality issues. President Parker thanked Ms. Ireland for her attendance and acknowledged that the District's Operator will be meeting with Ms. Ireland to resolve issues with her water.

3. **Security Report.** President Parker recognized Corporal Gamble, who reviewed the Security Report for the month of August 2019, which was previously distributed to the Board. A copy of the Security Report is attached hereto as *Exhibit B*.

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 D*. He recommended that the Board levy a total tax rate of \$0.48 per \$100 of assessed valuation, composed of an operations and maintenance tax of \$0.16 and a debt service tax of \$0.32.

The Board recommended and discussed a proposed tax rate one percent lower than the recommended rate. Mr. Millas reported on rollback consequences for a proposed tax rate of \$0.48, which reflects a rate above 8% that may result in a petition for a rollback election. He noted that for tax year 2020 a rate increase in excess of 3.5% will automatically initiate a rollback election.

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 2019 (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 2019 in a qualified newspaper of general circulation in the District.

Upon motion by Director Sulpizio, seconded by 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 \$0.48 per \$100 assessed valuation (\$0.32 for debt service and \$0.16 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 2019, a copy of which is attached hereto as *Exhibit E*. Mr. Spencer noted that 98.50% of the District's 2018 taxes had been collected as of August 31, 2019.

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1971 and 1972 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, 2019. President Parker 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, 2019 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. Toldan discussed the outstanding unbilled amount of the cost for water supplied to District customers by Harris County Municipal Utility District No. 151 ("No. 151") and reported that the audit needs to be filed by mid-October and would like to note this item in the audit as a receivable for this audit.

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, 2019 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 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 ended May 31, 2019.

8. 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.

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

9. **Review Quarterly Investment Report.** President Parker recognized Mr. Burton, who reviewed the quarterly investment report attached to the Bookkeeper's Report. 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 Quarterly Investment Report.

10. **Discuss outstanding funds due from Harris County Municipal District No. 151.** President Parker discussed the outstanding debt due from No. 151 for water supplied to District customers.

Mr. Burton reviewed an analysis of the charges and costs calculated for amount reported using 5,000,000 gallons as the average amount used by District customers and reviewed historical regional water costs for years with records. Records from mid-2010 through May 2019 provide a calculation of approximately \$149,000 is due to the District for that period. Mr. Millas was told that there are no records available prior to 2010. He stated that the Board of No. 151 is extending an offer of an additional \$500 per month for the time period for which there are no records, plus the amount due since May 2019. Mr. Millas stated that No. 151 is pending approval in anticipation of the District's acceptance of No. 151's offer. Mr. Burton provided his estimates of outstanding amounts, as attached in *Exhibit H* in the total amount of \$240,289.68 through May 2019. 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 Mr. Millas to present such estimates as a counteroffer to the Board of No. 151.

11. **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 I*.

Mr. Froehlich stated that three bids were received for the lift station rehabilitation and noted the lowest bidder was T&G Services for \$289,871.00 and he recommended awarding a construction contract to T&G for this project.

Discussion ensued regarding options for the FM 1960 Widening project. The Board deferred action on options.

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 accept the Engineer's Report, to approve award of a construction contract to T&G Services for \$289,871.00 for lift station rehabilitation project.

12. **Discuss annexation matters.** Mr. Froehlich reported that the Lees are out of the country and will return in October. He noted that their petitions have not been returned. He reported that deposits have been remitted for the three separate parcels and NRF is preparing documents.

13. **Discuss proposed changes to the Rate Order and take necessary action.** Mr. Millas discussed the changes to the Rate Order regarding obstructions and deposits as show in *Exhibit J*. Upon motion by Director Green, seconded by Director Moore, after a full discussion and the question being put to the Board, the voted unanimously to approve recommended revisions to the Rate Order.

14. **Review Operations Report and authorize repairs.** President Parker recognized Mr. Gehrke, who presented the Operations Report dated September 17, 2019 and a list of delinquent accounts, copies of which are attached hereto as *Exhibit I*. Mr. Gehrke reported that 92.50% of the water pumped was billed for the period August 1, 2019 through August 31, 2019.

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) approve the Operations Report; and (2) terminate service to delinquent accounts in accordance with the terms of the District's Rate Order.

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 15, 2019.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

