

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 367

March 13, 2019

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 367 (the "District") met in regular session, open to the public, on the 13th day of March, 2019, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, Houston, Texas 77027, outside the boundaries of the District, and the roll was called of the members of the Board:

Christopher Jacob	President
Daryl Austin	Vice President
Lena Lahasky	Secretary
William McEnroe	Assistant Vice President
Eric Neason	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also present at the meeting were Michael Willett and Rob Miller of Touchstone District Services ("Touchstone"); Layne Yeager of Double Eagle Erosion Solutions, LLC ("Double Eagle"); Kris Bradshaw of First Service Residential; Stephanie Lee of KGA/DeForest Design, L.L.C. ("KGA"); Ralph Wissel of Costello, Inc. ("Costello"); Kathy Cruthirds of Tax Tech, Inc. ("Tax Tech"); Scott Shelnett of Municipal Operations & Consulting, Inc. ("MOC"); Cindy Grimes of Municipal Accounts & Consulting, L.P. ("MAC"); and Adisa Harrington and Erika Smiley of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the February 13, 2018, regular meeting. After review and discussion, Director Lahasky moved to approve the meeting minutes, as submitted. Director Austin seconded the motion, which passed by unanimous vote.

COMMENTS FROM THE PUBLIC

Ms. Bradshaw updated the Board on development in the District. She requested MOC combine all Gleannloch Farms Community Association ("GFCA") accounts for online viewing through the smart meter portal. Discussion ensued.

AUTHORIZE AUDITOR

The Board reviewed a letter from McCall Gibson Swedlund Barfoot PLLC ("McCall") requesting authorization to conduct the audit for the fiscal year ending March 31, 2019, pursuant to the District's engagement letter with McCall. A copy of the letter is

attached. Following review and discussion, Director Lahasky moved to authorize McCall to conduct the audit for the District's fiscal year ending March 31, 2019. Director McEnroe seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Grimes reviewed the bookkeeper's report, including the bills presented for payment. A copy of the bookkeeper's report is attached.

In response to a question from the Board, Ms. Grimes stated that she withheld 10% retainage on the total contract amount for the smart meters, and retroactively applied it to Pay Estimate No. 2. She also noted that the retainage will be withheld from future pay estimates for the project.

Ms. Grimes stated that the District received an invoice from Harris County for the Gleannloch Forest Drive expansion project in the amount of \$35,116.80. She then stated the District has Strategic Partnership Agreement ("SPA") revenue totaling \$142,110. Ms. Harrington stated that the construction contract calls for annual payments including a 6% carry cost. She noted that she is following up with the County regarding carry costs for the first year charged to the District pursuant to the Interlocal Agreement for the project.

Ms. Grimes presented and reviewed a proposed budget for the District and proposed budgets for the regional water and sewage treatment plants for the fiscal year ending March 31, 2020, all of which are included in the bookkeeper's report.

The Board discussed options for paying down the principal District's Series 2015 park bonds and requested the District's financial advisor provide options for using Series 2015 park bond proceeds to pay down the principal on the bonds.

Ms. Grimes inquired about the NHCRWA's ("North Harris County Regional Water Authority") water reuse credit program. Ms. Harrington stated that she revised the agreement between the District and NHCRWA and sent an updated draft and she expects the District to receive the credit next year. She noted that once NHCRWA approves the agreement, she will forward the agreement to the Gleannloch Pines Golf Club since they will be a signatory to the agreement.

Following review and discussion, Director Neason moved to (1) approve the bookkeeper's report and payment of the bills; (2) approve the District and regional water and sewage treatment plant budgets for the fiscal year ending March 31, 2020; and (3) use existing SPA revenue to pay the District's total estimated costs for the Gleannloch Forest Drive expansion project in the amount of \$113,280. Director McEnroe seconded the motion, which passed by unanimous vote.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. Cruthirds reviewed the tax assessment and collection report, a copy of which is attached, including the delinquent tax roll. She stated that 97.33% of the District's 2018 taxes had been collected as of February 28, 2019. After review and discussion, Director Lahaský moved to approve the tax assessor/collector's report and payment of the tax bills. Director Neason seconded the motion, which passed unanimously.

DISTRICT PARK MATTERS

Ms. Lee presented and reviewed the landscape architect's report, a copy of which is attached.

Ms. Lee then reviewed a design proposal for recreational facilities that could be funded with the remaining park bond proceeds. After discussion, the Board decided to consider the proposal next month.

Ms. Lee updated the Board on the construction of the parking lot adjacent to lift station no. 3, stating that DL Meacham is completing punch list items. She then presented and recommended approval of Pay Application No. 7 and Final in the amount of \$5,009.80 and acceptance of the project.

Following review and discussion, and based upon the recommendation of the landscape architect, Director Jacob moved to approve Pay Application No. 7 and Final in the amount of \$5,009.80 to D.L. Meacham for the construction of the parking lot adjacent to lift station no. 3 and to accept the project. Director Lahasky seconded the motion, which carried by unanimous vote.

GARBAGE AND RECYCLING MATTERS

The Board discussed their recent tour of the Independent Texas Recyclers Recycling Plant located at 6810 Irvington Boulevard, Houston, Texas 77022. Directors Lahasky and McEnroe stated they will draft a recycling "do's and don'ts" for the District's website.

OPERATION OF DISTRICT FACILITIES

Mr. Shelnuttt reviewed the operator's report, a copy of which is attached, and reported on maintenance of the District's facilities. He reported that the water accountability for the past month was 97.5%.

Mr. Shelnuttt reviewed a proposal from K2 Contract Services, LLC ("K2") for fire hydrant blasting and coating, a copy of which is attached. He requested the Board authorize fire hydrant repairs in the amount of \$7,550 and sandblasting and painting in the amount of \$23,100. Discussion ensued and the Board requested Touchstone post a video showing sand blasting of fire hydrants on the District's website.

Mr. Shelnett reviewed the Water Conservation Plan Annual Report and Five-Year Implementation Report on the Water Conservation Plan with the Board. Ms. Harrington stated that the Texas Commission on Environmental Quality ("TCEQ") rules require that the District review and adopt an Amended and Restated Water Conservation Plan prior to May 1, 2019. She reviewed an Amended and Restated Water Conservation Plan with the Board.

Ms. Harrington stated that the TCEQ rules require that the District review and adopt an Amended and Restated Drought Contingency Plan in 2019, prior to May 1st. She reviewed an Amended and Restated Drought Contingency Plan with the Board.

After review and discussion, Director Austin moved to (1) approve the operator's report; (2) approve the proposal from K2 for fire hydrant repairs in the amount of \$7,550 and sandblasting and painting in the amount of \$23,100, with such work to be subcontracted through the operator's contract; (3) approve the Water Conservation Annual Report and Five-Year Implementation Report, direct that the reports be filed appropriately and retained in the District's official records, and authorize the District's Operator to submit the reports to the appropriate government agencies; (4) adopt an Order Adopting Amended and Restated Water Conservation Plan, direct that the Order be filed appropriately and retained in the District's official records, and authorize the District Operator to submit the Amended and Restated Water Conservation Plan to the appropriate government agencies; and (5) adopt an Order Adopting Amended and Restated Drought Contingency Plan; Providing for Implementation and Enforcement Thereof; Providing Penalties for Violations; and Containing Other Provisions Related to the Subject and direct that the Order be filed appropriately and retained in the District's official records. Director Lahasky seconded the motion, which passed by unanimous vote.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS AND AUTHORIZE TERMINATION OF SERVICE

Mr. Shelnett presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment. Following review and discussion, Director Austin moved to authorize termination of delinquent accounts, in accordance with the District's Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. The motion was seconded by Director Lahasky and passed by unanimous vote.

SMART METER MATTERS

Director McEnroe updated the Board regarding installation of smart meters. He stated that approximately 1,300 have been installed throughout the District.

Discussion ensued regarding customer notification about the Eye on Water portal for smart meters. The Board concurred to further consider customer notification options next month.

ENGINEERING MATTERS

Mr. Wissel reviewed the engineer's report, a copy of which is attached.

Mr. Wissel updated the Board on the installation of smart meters. He then presented and recommended approval of Pay Estimate No. 2 in the amount of \$170,223.75 to Accurate Utility Supply.

Mr. Wissel reported that KF Enterprises is proceeding with plans for the proposed PAC dance studio, as set forth in the engineer's report.

Mr. Wissel updated the Board on NHCRWA and surface water supply matters, as detailed in the engineer's report.

Mr. Wissel updated the Board on the Gleannloch Forest Drive expansion project, as detailed in the engineer's report. He reviewed the bid tabulation showing that Teamwork Construction Services ("Teamwork") is the low bidder with a bid of \$248,582.14. He stated that the County is reviewing the bids and he expects Teamwork Construction Services to be awarded the contract. He noted that because Teamwork's bid is lower than originally anticipated, the cost to the District should also be lower than originally estimated. Mr. Wissel stated that the District's share of the project costs including engineering is now estimated to be approximately \$130,000, based upon a 60%/40% split between Harris County Municipal Utility District No. 383 ("No. 383") and the District, respectively.

Mr. Wissel updated the Board on the park surplus funds application, as detailed in the engineer's report.

Following review and discussion, and based on the engineer's recommendation, Director Austin moved to (1) approve the engineer's report; (2) authorize payment of Pay Estimate No. 2 in the amount of \$170,223.75 to Accurate Utility Supply for the smart meter project; and (3) authorize execution of the updated surplus funds resolution and authorize submission of the surplus funds application. Director Jacob seconded the motion, which passed by unanimous vote.

ANNEXATION MATTERS

The Board discussed the proposed annexation of 2.5-acre tract (the "Tract") outside of the District. Mr. Wissel stated Costello has determined that annexation of the tract is feasible. Ms. Harrington presented a Petition for Addition of Certain Land for the tract into the District. She then presented and reviewed a Petition for Consent to Annex Land.

Following review and discussion, Director Austin moved to (1) approve the feasibility report for the tract; (2) accept the Petition for Addition of Certain Land; and (3) Petition for Consent to Annex Land and direct that they be filed appropriately and retained in the District's official records. Director Jacob seconded the motion, which passed unanimously.

CHANNEL AND POND MAINTENANCE

Mr. Yeager presented a maintenance report from Double Eagle, a copy of which is attached.

WIRELESS SPRINKLER IRRIGATION CONTROLS

There was no discussion on this agenda item.

ATTORNEY'S REPORT

ORDER ADOPTING AMENDED AND RESTATED PROCEDURES FOR CONTINUING DISCLOSURE

Ms. Harrington stated that, when the District issues bonds, the District enters into a continuing disclosure undertaking for the benefit of the bondholders. She added that the provisions of that undertaking require that the District comply with certain continuing disclosure requirements for its bonds. Ms. Harrington explained that the Board is ultimately responsible for continuing disclosure compliance for its bonds, with assistance by its consultants. She added that, in order to ensure that the District's procedures for continuing disclosure compliance are well documented, the Board has previously adopted such procedures in writing. Ms. Harrington stated that, because the United States Securities and Exchange Commission has amended its Rule 15c2-12, ABHR recommends that the District's written procedures be amended by the Board. Ms. Harrington reviewed an Order Adopting Amended and Restated Procedures for Continuing Disclosure Compliance with the Board. Following review and discussion, Director Neason moved to adopt the Order Adopting Amended and Restated Procedures for Continuing Disclosure Compliance and direct that the Order be filed appropriately and retained in the District's official records. Director Lahasky seconded the motion, which passed by unanimous vote.

GROUNDWATER CREDIT MATTERS

There was no discussion on this matter.

ACTION LIST

The Board reviewed the action list.

DISTRICT WEBSITE MATTERS

Mr. Willett distributed and reviewed a monthly report from Touchstone, a copy of which is attached. He reviewed the District's website and content. Discussion ensued regarding formatting and content changes needed to the website. The Board concurred to hold a special meeting on March 27, 2019, to review the District's website and consider future website posts.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS ON DISTRICT MATTERS

There was no discussion on this agenda item.

There being no further business to come before the Board, the meeting was adjourned.




Secretary, Board of Directors

ACTION LIST

New Items:

1. Mr. Shelnuttt will coordinate all HOA accounts for smart meter portal access.
2. MOC add reflectors to District hydrants as needed.
3. Mr. Shelnuttt will follow up with Accurate to make sure that smart meter training is provided by Accurate to MOC employees.
4. Ms. Peak will provide the Board with information regarding defeasance of the District's 2015 Park Bonds.
5. Touchstone will post a video regarding sand blasting of fire hydrants on the District's website.
6. Directors Lahasky and McEnroe will draft a recycling related post for the District's website.

Pending Items:

1. Ms. Lee will research potential eligible projects for financing with the bond proceeds and report back to the Board.
2. Costello will update the District's GIS to include District drainage and detention facilities.
3. MOC will repair the sanitary sewer line obstruction between Gleannloch Lakes Boulevard to Lochflora Drive at a cost not to exceed \$52,000.
4. ABHR and Costello will finalize the Consent to Encroachment for Friedman (PAC Dance Studio), in connection with the pending annexation.
5. MOC will complete repairs identified in phase two of the sanitary sewer line televising report.
6. MOC will install Human Machine Interface ("HMI") equipment at the District and regional facilities.
7. Double Eagle will make improvements to a back swale that is holding water by installing a channel desilt line from the swale to Champion Forest Drive.
8. Costello will prepare an exhibit showing areas along the District's drainage channels that need to be rehabilitated.
9. After the Gleannloch Forest Drive expansion project is complete, MOC will install a gate in the gap opening of the split-rail fence adjacent to water plant no. 3.
10. After the Gleannloch Forest Drive expansion project is complete, KGA will proceed with the installation of sidewalks between Gleannloch Forest Drive and Northpointe Boulevard.

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