

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 367

May 8, 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 8th day of May, 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 except Directors Jacob and Neason, thus constituting a quorum.

Also present at the meeting were Michael Willett of Touchstone District Services ("Touchstone"); Layne Yeager of Double Eagle Erosion Solutions, LLC ("Double Eagle"); Kris Bradshaw of First Service Residential; Ralph Wissel of Costello, Inc. ("Costello"); Kathy Cruthirds of Tax Tech, Inc. ("Tax Tech"); Scott Shelnett of Municipal Operations & Consulting, Inc. ("MOC"); Stephanie Lee of KGA/DeForest Design, LLC ("KGA"); David Turner of Best Trash, LLC ("Best Trash"); 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 April 10, 2019, regular meeting. After review and discussion, Director Lahasky moved to approve the meeting minutes, as submitted. Director Austin the motion, which passed by unanimous vote.

COMMENTS FROM THE PUBLIC

The Board discussed attendance at the June regular meeting. The Board requested a poll closer to the meeting date.

TRAVEL REIMBURSEMENT GUIDELINES

Director Lahasky stated that none of the Directors are attending the upcoming Association of Water Board Directors summer conference. There was no action taken on this item.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Grimes reviewed the bookkeeper's report, including the bills presented for payment, and the quarterly investment report. Copies of the bookkeeper's report and quarterly investment report are attached.

Ms. Grimes stated that she will hold the payment to Accurate Utility Supply ("Accurate") until Costello and MOC review the invoice and recommends payment.

Ms. Grimes stated that the PAC Dance Studio developer will be submitting an additional \$10,000 deposit to cover annexation related expenses, including survey costs and preparation of the consent to encroachment. Ms. Harrington noted that the total remaining legal and engineer fees for the annexation will probably exceed the additional \$10,000 deposit, which will result in a final invoice being sent to the developer.

Discussion ensued regarding pending utility commitments and Mr. Wissel requested the bookkeeper not release any of the remaining utility commitment deposits at this time because there may be additional engineering and/or legal fees incurred.

The Board discussed the Gleannloch Forest Drive expansion project payments. Ms. Grimes reported that Harris County has placed the overpaid amount in a separate account and each year the payment will be deducted from that account. She added that she has verified the amounts credited to the District with Harris County. Ms. Harrington informed the Board that Harris County will not charge the District any carry costs that were included in the Interlocal Agreement for the project. She noted that she is awaiting written confirmation from the County auditor.

Following review and discussion, Director Austin moved to approve the bookkeeper's report and payment of the bills. 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 98.89% of the District's 2018 taxes had been collected as of April 30, 2019. After review and discussion, Director McEnroe moved to approve the tax assessor/collector's report and payment of the tax bills. Director Austin seconded the motion, which passed unanimously.

Director Lahasky requested Masterson Advisors LLC ("Masterson") prepare and present additional information at the July meeting regarding options for using operating funds to pay down existing water, sewer and drainage bonds.

DISTRICT PARK MATTERS

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

Ms. Lee informed the Board that after consulting with Ms. Harrington, the Board is permitted to use park bond proceeds for the proposed brick thin wall perimeter fencing adjacent to the Lakes of Gleannloch Farms subdivision facing Spring Cypress Road, provided that the District owns the greenspace area adjacent to the proposed fencing and the area is accessible to the public. The Board discussed making a contribution to the GFCA for the cost of the new fencing from the District's operating fund instead of constructing the project using park bond proceeds, and directed ABHR to draft a letter agreement for such contribution. Discussion ensued regarding replacing the wood fence at Lift Station No. 6 with brick thin wall. Ms. Lee stated that she will provide the Board with a design proposal for the construction of the lift station fence and a cost estimate for the proposed brick thin wall facing Spring Cypress Road.

Ms. Lee discussed the Water Plant No. 2 fence replacement. She stated that the District's share of the project is \$74,125 (45.49%). The Board discussed financing options for the Water Plant No. 2 fence and requested that Ms. Harrington determine whether park bond proceeds may be used to fund the District's share of the Water Plant No. 2 fence replacement since sections of the fence are adjacent to green spaces that can be used for recreational purposes.

After review and discussion, Director Austin moved to approve the landscape architect's report and payment of the District's share of the Water Plant No. 2 fence replacement. Director McEnroe seconded the motion, which passed by unanimous vote.

GARBAGE AND RECYCLING MATTERS

Mr. Turner reviewed a letter from Best Trash, LLC, providing notice of the annual Consumer Price Index ("CPI") adjustment to the District's rate for garbage collection services, a copy of which is attached. He noted the letter reflects a CPI adjustment of 5.1% resulting in an increase in the monthly fee for curbside service from \$15.53 to \$16.33, effective for the billing cycle beginning in May 2019 and continuing through April 2020. Ms. Harrington confirmed that the CPI index used for this year's adjustment matches the CPI index referenced in the District's garbage and recycling contract.

Director Lahasky stated that the District is holding an e-recycling only event on Saturday, October 19, from 9:00 a.m. until noon, at the Gleannloch Farms Recreation Center, to be hosted and coordinated by Best Trash. The Board requested a Best Trash representative attend the e-recycling event.

OPERATION OF DISTRICT FACILITIES

Mr. Shelnutt 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 96.5%.

The Board discussed commercial meter usage. Mr. Shelnutt noted that last month Wheelerwood Holdings had higher than normal usage. He stated that after reviewing the account, he believes the increase was caused by irrigation system usage, not a leak.

Discussion ensued regarding notification to residential customers regarding potential leaks. Director McEnroe suggested that the Board hang door tags notifying residents of potential leaks during the initial transition to smart meters. The Board discussed the content and delivery method of the leak door tag, and Director Lahasky requested a copy of the proposed door tag language. The Board directed MOC to hang leak notification door tags once a month for two months for customers whose usage indicates a potential leak and to coordinate with Accurate to hang door tags on all residences informing residents of the smart meter transition.

Mr. Shelnutt updated the Board regarding Lift Station No. 2, stating that over the weekend a lift pump seal failed. He stated that the District can rebuild the pump for a cost of \$4,300 or replace the pump for a cost of \$14,400. The Board, at the recommendation of District's Operator, concurred to rebuild the pump.

Ms. Harrington stated the critical load information on the District's facilities is required to be reviewed at least annually and submitted to the Public Utility Commission, the District's electricity provider, and other governmental entities, whether or not there are any changes. Mr. Shelnutt and Mr. Wissel did not recommend any changes to the critical load spreadsheet.

Mr. Shelnutt reviewed the Consumer Confidence Report ("CCR") with the Board, a copy of which is attached to the operator's report. He reported that the District's drinking water is regulated by the Texas Commission on Environmental Quality ("TCEQ") to ensure the water is meeting all of the requirements as stated in the Federal Drinking Water Standards, which also requires the District to provide a CCR to residents in the District regarding the status of the drinking water. He stated the Environment Protection Agency allows for electronic delivery of the CCR with a customer option to request a paper copy. He requested Board authorization to include a buckslip containing the website link in the June water bill in lieu of mailing out hard copies of the CCR to all District customers and to provide hard copies of the CCR only to those customers who request one.

After review and discussion, Director Austin moved to (1) approve the operator's report; (2) authorize MOC to rebuild the lift pump for a cost of \$4,300; (3) authorize ABHR to file the Critical Load Spreadsheet and direct that the Spreadsheet be retained in the

District's official records; and (4) approve the CCR, authorize the operator to include a buckslip containing the website link to the CCR in customer water bills in lieu of mailing out hard copies of the CCR to all District customers, provide hard copies of the CCR to those customers who request hard copies, and file the certificate of mailing with the TCEQ. Director McEnroe seconded the motion, which passed by unanimous vote.

REVIEW CRITICAL LOAD SPREADSHEET FOR DISTRICT'S FACILITIES

This item was addressed under the operator's report.

APPROVE CCR AND AUTHORIZE OPERATOR TO DELIVER CCR AND FILE CERTIFICATE OF DELIVERY WITH THE TCEQ

This item was addressed under the operator's report.

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

Mr. Shelnutt 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 McEnroe and passed by unanimous vote.

SMART METER MATTERS

Director McEnroe updated the Board regarding installation of smart meters, noting that installation should be complete within the next two weeks. He stated that signs regarding the District's website and smart meters will be posted at neighborhood entrances throughout the District during Memorial Day weekend and the following weekend. Director McEnroe stated that the District's website will provide more detailed directions for using the Eye on Water customer software.

Mr. Wissel presented and recommended approval of Pay Estimate No. 3 in the amount of \$77,949 to Accurate. Following review and discussion, and based on the engineer's recommendation, Director Lahasky moved to authorize payment of Pay Estimate No. 3 in the amount of \$77,949 to Accurate for the smart meter project, subject to review by the District operator and engineer. Director McEnroe seconded the motion, which passed by unanimous vote.

ENGINEERING MATTERS

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

Mr. Wissel updated the Board on the pending annexation of the 2-acre tract into the District, noting that he provided ABHR with the necessary exhibit for the consent to encroachment. He stated that the developer has recorded the offsite water and sewer easements.

Mr. Wissel updated the Board on North Harris County Regional Water Authority ("NHCRWA") and surface water supply matters, as detailed in the engineer's report. He stated that the installation of the final WWTP effluent meter is complete and MOC is working to finalize the cost of the effluent meter at the wastewater plant.

Mr. Wissel updated the Board on the Gleannloch Forest Drive expansion project, as detailed in the engineer's report. He stated that Costello will attend the preconstruction meeting and emphasize the importance of protecting trees in the area.

Mr. Wissel updated the Board on the televising of sanitary sewer project, as detailed in the engineer's report.

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

Mr. Wissel updated the Board on the ground storage tank recoating project, as detailed in the engineer's report.

Mr. Wissel presented a proposal to replace faded or missing signs prohibiting motorized vehicles at District detention and drainage facilities with metal or wood signs. He stated that there are 16 signs throughout the community in various states of deterioration, three of which are on District owned channels and the remainder are on Harris County Municipal Utility District No. 383 ("HCMUD 383") and/or shared facilities. Mr. Wissel stated that \$400 per sign is the cost to fabricate and install wood signs and \$700 per sign is the cost to fabricate and install aluminum signs. Discussion ensued.

Following review and discussion, and based on the engineer's recommendation, Director Austin moved to (1) approve the engineer's report; and (2) authorize the replacement of the three signs prohibiting motorized vehicles at District facilities with green and white aluminum signs at a cost of \$700 per sign. Director McEnroe seconded the motion, which carried by unanimous vote.

Mr. Wissel informed the Board that a bathroom was installed near the tennis courts with a septic holding tank. He stated that this is prohibited by with the District's Rate Order. Mr. Wissel reported GFCOA is currently reviewing options to connect the bathroom to the District's sewer system.

ANNEXATION MATTERS

Further discussion ensued regarding the pending annexation of the 2-acre tract. Ms. Harrington stated that the PAC Dance Studio has requested the District grant a consent to encroachment allowing the construction of private water and sanitary sewer lines across District facilities prior to annexation of the Tract into the District. Discussion ensued and the Board directed ABHR to notify PAC Dance Studio that a consent to encroachment will be granted with the understanding that if the annexation is not approved by the City of Houston, PAC Dance Studio will be an out-of-District customer and will be required to pay an annual fee to the District and out-of-District customer rates.

CHANNEL AND POND MAINTENANCE

Mr. Yeager presented a maintenance report from Double Eagle, a copy of which is attached. He stated that spring over-seeding was completed.

Mr. Yeager reported that he is finalizing a cost estimate for Priority One items and will send the list to the District's Engineer for review.

WIRELESS SPRINKLER IRRIGATION CONTROLS

There was no discussion on this agenda item.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. Harrington discussed renewal of the District's insurance policies with the Board. The Board requested that ABHR obtain a proposal from the District's current insurance broker.

ATTORNEY'S REPORT

AMEND COST SHARING AGREEMENT WITH HCMUD 383

Ms. Harrington reviewed an amended Exhibit B to the District's Master Cost Sharing Agreement with HCMUD 383, which includes the Gleannloch Forest Drive Pavement Expansion. Following review and discussion, Director McEnroe made a motion to approve the amended Exhibit B to the District's Master Cost Sharing Agreement with HCMUD 383. Director Austin seconded the motion, which carried unanimously.

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. Mr. Willett distributed the District's updated web content calendar for Board review. Discussion ensued regarding the monthly website content. The Board requested Mr. Shelnett work with Director Lahasky to provide information on how to read a water bill for website posting.

Mr. Willett discussed website analytics, noting increased website traffic.

After inquiry from the Board, Mr. Willett stated that the District's monthly report will be revised to decrease reporting costs. The Board further concurred for Touchstone to attend Board meetings every other month instead of monthly.

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. KGA will provide design proposals for fence construction.
2. MOC will send a copy of the leak door tag for board review
3. MOC will provide a report on the number of Eye on Water accounts to the Board.
4. MOC will implement a process to determine issues with the encoder alarms on the meters in a timelier manner.
5. Mr. Shelnuttt will coordinate with Director Lahasky to provide information on how to read a water bill for website posting.
6. Best Trash will attend the next meeting regarding the CPI adjustment.
7. Director McEnroe will have signs regarding District's website and smart meters posted at neighborhood entrances during Memorial Day weekend and the following weekend.
8. ABHR will coordinate pre-annexation connection with PAC Dance Studio.
9. ABHR will coordinate with KGA to determine if Water Plant No. 2 projects are eligible for funding with surplus park bond proceeds.
10. Touchstone will post information regarding HCMUD 383's e-recycling events on the districts website.

Pending Items:

1. Masterson will prepare and present additional information at the July meeting regarding options for using operating funds to pay down existing water, sewer and drainage bonds.
2. MOC will prepare a check list of common water leak issues found in the home, pool & yard for posting on the District's website.
3. Mr. Yeager will provide costs for all Priority One maintenance items.
4. MOC will add reflectors to District hydrants as needed.
5. Mr. Shelnuttt will coordinate all HOA accounts for smart meter portal access.
6. MOC will add reflectors to District hydrants as needed.
7. Mr. Shelnuttt will follow up with Accurate to make sure that smart meter training is provided by Accurate to MOC employees.
8. Mr. Wissel will coordinate the replacement of the existing no-trespassing signs located on District facilities.
9. Director Lahasky will coordinate with GFCA and Best Trash as needed regarding the October 19th e-recycling event at the Gleannloch Farms Rec Center.

10. MOC will repair the sanitary sewer line obstruction between Gleannloch Lakes Boulevard to Lochflora Drive at a cost not to exceed \$52,000 (summer 2019).
11. Touchstone will post a notice regarding sand blasting of fire hydrants and the June HCMUD 383 and October District e-recycling events on the District's website.
12. ABHR and Costello will finalize the Consent to Encroachment for Friedman (PAC Dance Studio), in connection with the pending annexation.
13. MOC will complete repairs identified in phase two of the sanitary sewer line televising report.
14. MOC will install HMI equipment at the District and regional facilities.
15. 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.
16. 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.
17. After the Gleannloch Forest Drive expansion project is complete, KGA will proceed with the installation of sidewalks between Gleannloch Forest Drive and Northpointe Boulevard.

LIST OF ATTACHMENTS TO MINUTES

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