

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 367

July 10, 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 10th day of July, 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 Director Neason, thus constituting a quorum.

Also present at the meeting were Layne Yeager of Double Eagle Erosion Solutions, LLC ("Double Eagle"); Ralph Wissel of Costello, Inc. ("Costello"); Matthew May of Best Trash; Kathy Cruthirds of Tax Tech, Inc. ("Tax Tech"); Christine Crotwell of Masterson Advisors, ("Masterson"); Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("McCall"); Scott Shelnutt of Municipal Operations & Consulting, Inc. ("MOC"); Stephanie Lee of KGA/DeForest Design, LLC ("KGA"); Brandi George, Megan Friedman, and Kyle Friedman of the PAC Dance Studio; Michael Willett of Touchstone District Services ("Touchstone"); Cindy Grimes of Municipal Accounts & Consulting, L.P. ("MAC"); and Adisa Harrington and Erika Smiley of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENTS/ANNEXATION MATTERS

Mr. Wissel discussed potential abandonment of a pipeline easement that runs from Spring Cypress to Boudreaux Road. Mr. Friedman requested written authorization from the District to seek abandonment of the portion of the pipeline easement located on the District's detention pond site in Lakes at Gleannloch Farms and requested the Board waive any future fees occurred by PAC Dance Studio relating to annexation of the PAC Dance Studio tract and related landscaping restoration. Discussion ensued.

GARBAGE AND RECYCLING MATTERS

Mr. May discussed the annual CPI adjustment, approved at the District's May meeting. 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. Director McEnroe requested Best Trash provide a proposal for 65-gallon garbage carts when it is time to renew the contract.

Ms. Harrington discussed Simple Recycling, a residential curbside textile recycling program that would pay the District \$0.01 per pound collected, at no cost to the District. She noted that Harris County Municipal Utility District No. 383 ("HCMUD 383") has decided to implement this textile recycling program. Discussion ensued and the Board decided not to move forward with textile recycling at this time.

MINUTES

The Board considered approving the regular meeting minutes of June 12, 2019. After review and discussion, Director Lahasky moved to approve the regular meeting minutes of June 12, 2019, as presented. 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.

Mr. Grimes presented a check to SignTex for the no motorized vehicle signs. The Board directed the District bookkeeper to hold the payment until all signs are properly installed.

Following review and discussion, Director Austin moved to approve the bookkeeper's report and payment of the bills. Director Lahasky seconded the motion, which passed by unanimous vote.

Director McEnroe inquired about smart meter invoicing. Mr. Wissel stated that invoicing is not complete and currently the District is withholding approximately \$100,000 in retainage.

APPROVE DEPOSITORY PLEDGE AGREEMENT

Ms. Grimes reported that currently the District has an account with Compass Bank and their name has changed to BBVA USA. She stated that as a result, the District will need to approve an updated Depository Pledge Agreement with BBVA USA with the Board. After review and discussion, Director Lahasky moved to approve the Depository Pledge Agreement with BBVA USA and direct that the Depository Pledge Agreement be filed appropriately and retained in the District's official records. Director Austin seconded the motion, which carried unanimously.

Ms. Grimes stated the AWBD winter conference will be held January 17 through January 19, 2020, in Dallas, Texas. After review and discussion, Director Jacob moved to authorize all interested Directors to attend the AWBD winter conference. Director Austin seconded the motion, which passed unanimously.

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 99.40% of the District's 2018 taxes had been collected as of May 31, 2019. After review and discussion, Director Austin moved to approve the tax assessor/collector's report and payment of the tax bills. Director Lahasky seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS (CONTINUED)

Ms. Crotwell distributed a Summary of Outstanding Bonds, a copy of which is attached, and discussed cash defeasance options available to the District. Following review and discussion, the Board concurred to further consider cash defeasance options at the District's September meeting, once the District's tax roll has been certified.

The Board discussed the direct deposit of directors' per diems. Ms. Grimes stated that the added cost would be approximately \$45.00 a month. The Board concurred it was not a necessary service at this time and took no action on the matter.

Ms. Grimes discussed authorizing the bookkeeper to sign certain disbursements. She stated that this would allow routine administrative and operating expenses to be paid from the District bookkeeping account between meetings. After discussion, the Board declined to establish a bookkeeping account or authorize the bookkeeper to sign certain disbursements.

APPROVE AUDIT

Mr. Toldan reviewed the District's audit for the fiscal year ended March 31, 2019. After review and discussion, Director Austin moved to approve the audit, subject to final director and consultant review, authorize filing of the audit with the Texas Commission on Environmental Quality ("TCEQ"), and direct that the audit be filed appropriately and retained in the District's official records. Director Lahasky seconded the motion, which passed unanimously.

DISTRICT PARK MATTERS

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

Ms. Lee discussed the proposed brick thinwall perimeter fencing in the Lakes at Gleannloch Farms subdivision facing Spring Cypress Road.

Ms. Lee discussed the Water Plant No. 2 fence replacement. She stated that bids for the project will be received the week of July 15th.

Ms. Lee reviewed a design proposal for replacement of the Lift Station No. 6 fence. She requested the Board authorize KGA to advertise the project. Discussion ensued

regarding whether to proceed with the Lift Station No. 6 fence project. After review and discussion, Director Austin moved to stop all work on the Lift Station No. 6 fence project and not proceed with the project. Director McEnroe seconded the motion, which passed by unanimous vote.

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 95.7%.

The Board discussed commercial meter usage. The Board requested Mr. Shelnutt report the golf course's effluent usage monthly.

The Board discussed notification to residential customers regarding potential leaks and the cost of delivering leak door tags. Mr. Shelnutt stated that MOC will review the leak notification process and coordinate with Directors Austin and McEnroe.

Mr. Shelnutt reported that the Phase 2 smoke testing is complete and inflow protectors are being installed.

Mr. Shelnutt reported that reflectors for fire hydrants are being installed.

Mr. Shelnutt reported that the Human Machine Interface ("HMI") equipment for Lift Station Nos. 1 and 3 should be installed before the next meeting.

After discussion, Director Lahasky moved to approve the operator's report. Director McEnroe 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. 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 Lahasky 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 all meters are now installed. He reported that there are 265 Eye on Water sign-ups. Director McEnroe stated that he will continue promoting the Eye on Water application.

After inquiry from Director McEnroe, Mr. Shelnutt reported that approximately 15 smart meters have experienced connection issues. He stated that MOC will follow up with Accurate to resolve the meter connection issues.

Mr. Wissel reported that Pay Estimate No. 4 to Accurate for the installation of 835 smart meters in the amount of \$263,821.50 was approved by MOC and Costello and payment was released.

Mr. Wissel reported that Accurate has provided a proposal to replace the 8-inch water meter at Hassler Elementary School. He recommended the Board approve Change Order No. 1, a net deduct in the amount of \$4,630.43 to the contract, which includes the added cost for the Hassler meter, adjustments to contract item quantities, and a deduct for work done by MOC on meter installation issues.

Following review and discussion, Director Austin moved to approve Change Order No. 1 to the smart meter contract, based upon the recommendation of the 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 recommended the Board approve an Amended and Restated Storm Sewer Easement relating to development of the JETEC Properties, LLC ("JETEC") tract. Ms. Harrington noted that per the Board's request, this Easement and the previously approved Consent to Encroachment will not be recorded until any related District legal and engineering fees have been reimbursed by the title company. Following review and discussion, Director McEnroe moved to approve and accept the Amended and Restated Storm Sewer Easement related to the JETEC development, subject to reimbursement of related District legal and engineering fees by the title company. Director Lahasky seconded the motion, which passed by unanimous vote.

Mr. Wissel stated that the installation of the final WWTP effluent meter is complete and the effluent capital project costs chart has been sent to ABHR. Ms. Harrington stated that she has submitted the cost request to NHCRWA and is awaiting a response from their attorney.

Mr. Wissel reported that the no motorized vehicle signs produced by SignTex are ready to be installed. He stated that Costello is meeting with SignTex in the District to ensure correct sign placement. He recommended the Board approve a payment to SignTex in the amount of \$1,050, which should be held until all signs are fully installed.

Mr. Wissel reported that nutria removal by AAAC Wildlife is ongoing. He recommended the Board approve a revised proposal from AAAC Wildlife in the amount of \$1,200 for nutria removal.

Mr. Wissel updated the Board on the Gleannloch Forest Drive expansion project, as detailed in the engineer's report. He reported that notice to proceed was issued June 17, with a 60-day construction completion date of August 15, and that he will confirm that irrigation sleeves for the homeowners association have been installed. Mr. Wissel reported that there was a change on the subgrade to cement stabilized sand due to comments from one of the pipeline's field representative about heavy mixing and compacting equipment working over their pipeline. He stated that this change was made with no additional cost to the participants.

Mr. Wissel reported on Phase 2 smoke testing, stating that MOC has provided Costello with the televising videos and minimal repairs are needed. Director Jacob suggested the District move forward with the next phase of smoke testing and televising of District sanitary sewer lines.

Mr. Wissel reported that the park surplus funds application for the parking lot adjacent to lift station no. 3 was approved by the TCEQ on June 12th.

Following review and discussion, Director Lahasky moved to (1) approve the engineer's report; (2) authorize the operator and engineer to proceed with Phase 3 of the cleaning and televising of District sanitary sewer lines; (3) approve the revised proposal from AAAC Wildlife in the amount of \$1,200 for nutria removal; and (4) authorize payment to SignTex in the amount of \$1,050 for sign installation, subject to installation of all signs. Director Austin seconded the motion, which passed by unanimous vote.

RE-COATING GROUND STORAGE TANK NO. 1

Mr. Wissel updated the Board on the re-coating of ground storage tank no. 1, as detailed in the engineer's report, and recommended approval of Pay Estimate No. 2 in the amount of \$38,682, submitted by A&H Coating Services ("A&H"). Following review and discussion, Director Lahasky moved to approve Pay Estimate No. 2, in the amount of \$38,682, based upon the engineer's recommendation. Director Austin seconded the motion, which passed by unanimous vote.

Mr. Wissel requested that the Board approve Pay Estimate No. 3 and Final in the amount of \$14,113, submitted by A&H Coating Services ("A&H"), with payment being subject to completion of the final punch list items. Following review and discussion, Director McEnroe moved to approve Pay Estimate No. 3, in the amount of \$14,113, based upon the engineer's recommendation, and subject to the final punch list items being completed. Director Lahasky seconded the motion, which passed by unanimous vote. Director Jacob requested that the Board consider inspecting ground storage tank no. 1 in the spring of 2020, prior to the end of the contractor's one-year warranty period.

RESOLUTION REGARDING SURPLUS PARK FUNDS APPLICATION

Ms. Harrington discussed using park bonds for the Water Plant No. 2 fence costs. Following review and discussion, Director McEnroe moved to (1) approve a Resolution

Authorizing Application to the Texas Commission on Environmental Quality for Use of Surplus Funds; and (2) authorize preparation of a surplus park funds application. Director Lahasky seconded the motion, which carried by unanimous vote.

CHANNEL AND POND MAINTENANCE

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

Mr. Yeager reported that Harris County Flood Control ("HCFCD") is doing repair work on portions of the District's channel. He stated that there are approximately four pipes that HCFCD will replace. Mr. Wissel noted that he did not receive advance notice of the work. Discussion ensued regarding desilting and widening the bottom of the District's channel. The Board directed Mr. Yeager to inspect the work being done by HCFCD, prepare a revised cost estimate for remaining channel repairs, and coordinate with the District engineer and Director Jacob regarding same.

WIRELESS SPRINKLER IRRIGATION CONTROLS

There was no discussion on this agenda item.

AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE POLICIES

The Board reviewed a renewal proposal for insurance from HARCO. Ms. Harrington discussed liability coverage for District amenities. Discussion ensued and the Board concurred not to include the District's amenities in the property policy. After review and discussion, Director Lahasky moved to accept the proposal for the District's insurance from HARCO, and direct that the proposal be filed appropriately and retained in the District's official records. Director Austin seconded the motion, which passed unanimously.

ATTORNEY'S REPORT

AUTHORIZE EXECUTION OF LETTER AGREEMENT WITH GLEANNLOCH FARMS COMMUNITY ASSOCIATION FOR DISTRICT CONTRIBUTION TOWARDS ELIGIBLE PROJECTS/COSTS

Ms. Harrington reported that a Letter Agreement between the District and GFCA for proposed brick thinwall fencing facing Spring Cypress Road at a cost of \$21,560 ("the letter") is now ready for execution.

After review and discussion, Director Lahasky moved to authorize execution of the Letter Agreement for the proposed brick thinwall fencing facing Spring Cypress Road. Director McEnroe seconded the motion, which passed by unanimous vote.

LEGISLATIVE REPORT

Ms. Harrington reviewed a report from ABHR on the 86th Legislative Session, a copy of which is attached.

ACTION LIST

The Board reviewed the action list.

DISTRICT WEBSITE MATTERS

The Board reviewed a monthly report from Touchstone, a copy of which is attached. The Board discussed website content and inquiries submitted via the District's website. The Board directed Touchstone not to follow up with District residents after forwarding resident inquiries to directors and consultants. The Board further directed Touchstone to post notices regarding garbage/recycling holidays on the District's website.

Mr. Willett reviewed and discussed smart meter education videos. The Board discussed invoicing for the videos. After inquiry from the Board, Mr. Willett stated that Touchstone will remove all smart meter video charges from District invoices. Director Lahasky emphasized the importance of Touchstone improving its communications with the Board and obtaining Board approval before commencing any special projects that are not covered in the monthly website management base fee. The Board concurred for Touchstone to attend Board meetings on a quarterly basis.

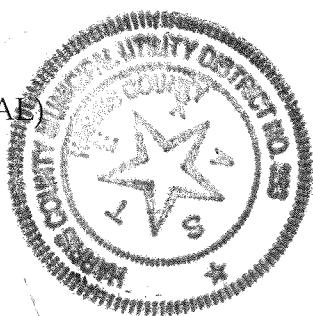
REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS ON DISTRICT MATTERS

There was no discussion on this matter.

ANNEXATION MATTERS (CONTINUED)

Additional discussion ensued regarding abandonment of the portion of a pipeline easement located on the District's detention pond site in the Lakes at Gleannloch Farms. After review and discussion, Director Austin moved to (1) authorize Mr. Friedman to work on behalf of the District with the pipeline company to get the easement abandoned; (2) authorize Mr. Wissel to send Mr. Friedman a letter to that effect; and (3) to issue a credit not to exceed \$5,000 to the PAC Dance Studio for annexation and related landscaping fees, subject to abandonment of the pipeline easement. Director Lahasky seconded the motion, which passed by unanimous vote.

(SEAL)



Secretary, Board of Directors

ACTION LIST

New Items:

1. Masterson will prepare and present updated information at the September meeting regarding options for using operating funds to pay down existing water, sewer and drainage bonds.
2. MOC will review the leak notification process and coordinate with Directors Austin and McEnroe.
3. MOC will follow up with Accurate regarding meter connection issues.
4. Costello will confirm that irrigation sleeves for the homeowners association have been installed as part of the Gleannloch Forest Drive expansion project.
5. Costello will send a letter to the PAC Dance Studio regarding District authorization to work on abandonment of the pipeline easement.
6. Double Eagle will prepare a revised cost estimate for channel repairs.
7. Touchstone will remove smart meter education video charges from the District invoice.

Pending Items:

1. Costello, KGA and ABHR will coordinate on preparation of a surplus funds application for the water plant no. 2 fence replacement project.
2. MOC will separately track smart meter charges that are potentially covered under warranty.
3. Directors Lahasky and McEnroe will review and finalize operator related website postings.
4. Director McEnroe will compare the leak list to Eye on Water application signups.
5. MOC will implement a process to identify issues with any new smart meters in a timely manner.
6. Director Lahasky will prepare a check list of common water leak issues found in the home, pool & yard for posting on the District's website.
7. Mr. Shelnutt will coordinate all HOA accounts for smart meter portal access.
8. Mr. Shelnutt will follow up with Accurate to make sure that smart meter training is provided by Accurate to MOC employees.
9. 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).
10. MOC will install HMI equipment at the District and regional facilities.
11. 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.

12. 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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