

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

Minutes of Meeting of Board of Directors August 28, 2018

The Board of Directors ("Board") of Harris County Municipal Utility District No. 238 ("District"), met at 17332 Groeschke Road, Houston, Texas, 77084, a designated meeting place of the District, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board, as follows:

Randy Love, President
Gary Nelson, Vice President
C.L. "Steve" Crane, Secretary
Gary Tober, Assistant Secretary
Ronald Julun, Director

all of said persons were present, except for Director Crane, thus constituting a quorum.

Also present were Cynthia Colondres of Municipal Accounts & Consulting, L.P. ("MA&C"); Taylor Reed of Van De Wiele & Vogler, Inc., ("VVI"); Michael Williams and Jeanette Montes of Gulf Utility Service, Inc. ("GUS"); Jonathan Roach and Shaila Sreedharan of Roach & Mitchell, PLLC ("RMPLLC"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Josh Fort of Champions Hydro-Lawn ("Champions"); and Emina Kobiljar from Hutchinson Shockey Erley & Co. ("HSE").

The President called the meeting to order and declared it open for such business as might come before it.

APPROVE MINUTES

Mr. Roach presented the minutes of the July 24, 2018 regular meeting. Director Nelson noted a minor revision. Director Nelson then made a motion to approve the July 24, 2018 minutes, as amended. Director Love seconded said motion, which passed unanimously.

PUBLIC COMMENTS

There were no public comments.

DISCUSSION REGARDING BARKERS CROSSING DETENTION POND, TRAIL AND FENCE

Mr. Roach reported that the Barkers Crossing Homeowners Association ("BCHOA") executed and returned the trail maintenance agreement. He also inquired whether the Board would like RMPLLC to follow up with the BCHOA on the proposed joint letter to Harris County for assistance with the trail maintenance. Mr. Roach reminded the Board that the BCHOA previously indicated it was not interested in submitting a joint letter to the County for maintenance assistance but that was prior to their approval of the trail maintenance agreement. After discussion, the Board

concurring that RMPLLC should resubmit the trail maintenance request letter for consideration by the BCHOA.

Mr. Roach then presented a picture from Director Crane of a sinkhole in the trail. Mr. Reed and Mr. Fort discussed the possible cause and repair options with the Board. They also advised that they will inspect the sinkhole after the Board meeting. Additional discussion ensued regarding who is responsible for repair of the sinkhole and the estimated costs associated with same. The Board acknowledged that the now-final trail maintenance agreement requires the BCHOA to repair trail-related issues, but the Board also noted its desire to continue a showing of good faith with the BCHOA and the possibility of having the District repair the sinkhole at this time. Upon motion by Director Nelson, seconded by Director Julun, the Board voted unanimously to authorize the repair of the sinkhole at a cost not to exceed \$15,000, subject to the understanding that the trail would be maintained by the BCHOA pursuant to the trail agreement from this point forward.

TAX ASSESSOR/COLLECTOR REPORT

Mr. Arce presented the Tax Assessor/Collector Report, a copy of which is attached as **Exhibit A**. He noted that the District is 99.24% collected for the 2017 taxes. After no questions, and a motion by Director Nelson, seconded by Director Love, the Board voted unanimously to approve the Tax Assessor/Collector Report and the checks presented therein.

DELINQUENT TAX ATTORNEY REPORT

Mr. Arce presented and reviewed the Delinquent Tax Attorney Report, a copy of which is attached hereto as **Exhibit B**. Director Love inquired as to the personal property judgements listed in the report. Mr. Arce responded and also noted that the delinquent tax attorney is continuing to collect and that there is no action needed at this time.

REVIEW 2018 TAX RATE RECOMMENDATION FROM FINANCIAL ADVISOR

The Board recognized Ms. Kobiljar, who presented the HSE tax rate recommendation for 2018, a copy of which is attached as **Exhibit C**. She noted that the District tax rate for 2017 was \$0.51 per \$100 of assessed valuation of property within the District, comprised of \$0.37 for the purposes of making debt service payments and \$0.14 for the purposes of maintenance and operation expenses of the District. Ms. Kobiljar stated that for tax year 2018, HSE is recommending a debt service tax rate of \$0.36. Discussion ensued regarding the assessed value in the District, the 2018 debt service tax rate recommendation, and the possible transition of \$0.01 from the debt service component of the tax rate to the maintenance and operations component. Upon motion by Director Tober, seconded by Director Julun, the Board voted unanimously to authorize publication of a proposed tax rate of \$0.50 per \$100 of assessed valuation of property within the District, comprised of \$0.36 for the purposes of making debt service payments and \$0.14 for the purposes of maintenance and operation expenses of the District—a \$0.01 reduction from the prior year's tax rate.

ENGAGE AUDITOR TO PREPARE AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2018

Mr. Roach stated that the Board executed a two (2) year audit engagement in 2017, which

includes the preparation of the audit for fiscal year ending August 31, 2018. Mr. Roach also noted that Mr. Mark Roth of Roth & Eyring retired and that Mr. Mark Eyring will prepare the audit this year.

BOOKKEEPER'S REPORT

Ms. Colondres presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit D**. She noted that registration opened for the AWBD Winter Conference, but that none of the Directors had registered yet. Director Julun noted that he would like to attend.

Ms. Colondres next discussed the budget for fiscal year ending August 31, 2019. She noted that she added a \$300,000 budget for the ion exchange and \$280,000 for the Morton Road project. The Board discussed the time frame for the Morton Road project. Director Love made a motion to adopt the budget for fiscal year ending August 31, 2019. Director Tober seconded said motion, which carried unanimously. Director Nelson then made a motion to approve the Bookkeeper's Report and the checks presented in the report. Director Julun seconded said motion, which carried unanimously.

ADOPT OPERTING BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2019

The Board adopted the budget in the Bookkeeper's Report.

ENGINEER'S REPORT

Mr. Reed presented the Engineer's Report, a copy of which is attached hereto as **Exhibit E**. He noted that RMPLLC recorded the Morton Road easement and that the plans for the project were submitted to the applicable governmental agencies for review.

Mr. Reed next reported on the radium treatment pilot study, noting that the revised report was sent to the Texas Commission on Environmental Quality ("TCEQ") for approval. He noted that VVI is still working with the vendor for the cost estimates. He also noted that the equipment cost will be approximately \$70,000 for Water Plant No. 1 and approximately \$40,000 for Water Plant No.2. Brief discussion ensued and the Board took no action at this time.

Mr. Reed also reported that he met with Director Love and Mr. Greg Weiss from the landfill located north of the District. He stated that they discussed the new landfill permit and the proposed solutions to control the silt leaving the site. Mr. Reed stated that Mr. Weiss agreed to implement the discussed solutions.

Mr. Reed then reported that he is continuing to develop the five (5) year capital improvement plan ("CIP"). He discussed some of the projects included in the CIP, stating that 2019 will include the ion exchange, 2020 will include cleaning of the wastewater basin, and 2021 will include upgrades to the water plants.

STATUS OF MAINTENANCE BY CHAMPIONS

Mr. Fort presented the Maintenance Report to the Board, a copy of which is attached as

Exhibit F. He noted that Champions completed mowing of the Barkers Crossing trail as requested by the Board in July. He stated that moving forward, the BCHOA will mow the top of the detention pond area where the trail is located and the District will continue to mow the bottom and the side slopes of the pond. Mr. Fort then reported that the two repairs will be completed for the Barker's Crossing Storm Water Quality feature as previously discussed.

OPERATIONS AND MAINTENANCE REPORT

Mr. Williams presented the written Operations and Maintenance Report to the Board, a copy which is attached as Exhibit G. He discussed the repair to the ground storage tank ("GST") at Water Plant No. 1 in the month of June. He also noted that there was a blower failure at Water Plant No. 1, which has since been repaired.

Mr. Williams next presented a request from the residents at 18514 Bridge Falls Way for an adjustment to their bill of \$14.79 in late fees as they stated their payment was lost in the mail. Brief discussion ensued regarding the payment history of the residents. Upon motion by Director Nelson, seconded by Director Love, the Board voted unanimously to waive the \$14.79 late fees.

Mr. Williams also presented a request from the resident at 19118 Tulip Dale Street that the District fix the uneven sidewalk in front of her house. Mr. Williams noted that there is a valve cover in the slab of the sidewalk that needs to be replaced. Discussion ensued regarding the sidewalk, the estimated cost for repair, and future resident sidewalk repair requests. Upon motion by Director Nelson, seconded by Director Julun, the Board voted unanimously to authorize the sidewalk repair including valve relocation, as necessary, at a cost not to exceed \$2,000.

Mr. Williams then provided an asset maintenance program presentation, a copy of which is attached as Exhibit G. He reviewed the costs associated with manhole inspections, isolation valve maintenance, and fire hydrant maintenance. He noted that maintenance will be conducted on half of the valves in the District per year at a total cost of \$15,850 for inspection of 245 valves. Discussion ensued regarding the inspection process and the pros and cons of the asset maintenance program. Upon motion by Director Tober, seconded by Director Julun, the Board voted unanimously to approve the asset maintenance program as presented.

REVIEW PROPOSED AMENDMENT TO OPERATOR'S CONTRACT

Mr. Williams presented the Amendment to the Operator's Contract ("Amendment"), a copy of which is attached as Exhibit H. He noted that GUS is requesting an overall increase of 4.2%. He reviewed the breakdown of the labor rate increase request and the equipment rate increase request. Extensive discussion ensued regarding the current individual labor and equipment costs compared to the proposed increased costs. Director Nelson then made a motion to approve the Amendment. Director Julun seconded said motion, which carried unanimously.

DIRECTORS REPORTS

Director Tober noted that West Harris County Regional Water Authority ("WHCRWA") is continuing construction with various surface water system improvements. He also stated that Harris

County Municipal Utility District No. 165 had recently asked WHCRWA to begin providing surface water. Mr. Roach then noted that the Board previously approved a second Right of Entry Agreement with WHCRWA at the July meeting to cover Water Plant No. 2, which the WHCRWA had overlooked. He requested the Board ratify its approval of the subject agreement. Upon motion by Director Tober, seconded by Director Nelson, the Board voted unanimously to ratify approval of the second Right of Entry Agreement with WHCRWA.

Director Love next noted that he had reviewed and upgraded the Director Emergency Preparedness kits. Discussion ensued regarding the content of the kits, procedures for use of same, and providing an Emergency Preparedness kit to the Operator.

Director Love then inquired as to the corporate buyout of HSE. Mr. Roach noted that HSE had been acquired by Huntington Bancshares Inc. but HSE had advised that the company will continue to exist and operate the same way, charge the same fees, etc. so no action was required by the Board at this time.

ATTORNEY'S REPORT

Mr. Roach noted that as requested by Director Crane, Ms. Sreedharan is working on a new electronic records layout for the District's Dropbox files.

ADDITIONAL COMMENTS FROM THE PUBLIC

There were no public comments.

EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, SECTION 551.071, 551.074, ET. SEQ.

The Board did not enter into executive session.

DISCUSS PENDING BUSINESS AND MATTERS FOR FUTURE AGENDAS

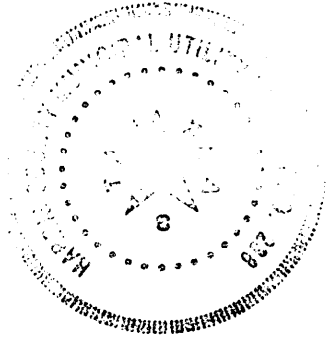
There was no discussion.

ADJOURNMENT

There being no further matters to come before the Board, Director Love made a motion to adjourn the meeting. Director Julun seconded said motion, which carried unanimously.

Approved this day 25 of September, 2018.

[SEAL]




Secretary,
Board of Directors

LIST OF EXHIBITS

- Exhibit A - Tax Assessors Report
- Exhibit B - Delinquent Tax Attorney Report
- Exhibit C - HSE Tax Rate Recommendation
- Exhibit D - Bookkeeper's Report
- Exhibit E - Engineer's Report
- Exhibit F - Champion's Report
- Exhibit G - Operator's Report
- Exhibit H - Amendment to Operator's Contract