

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 238

Minutes of Meeting of Board of Directors February 28, 2017

The Board of Directors ("Board") of Harris County Municipal Utility District No. 238 ("District"), met at 18702 Kieth Harrow Boulevard, 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:

Michael McGlaughlin, President
Randy Love, Vice President
Patricia Richardson, Secretary
C.L. "Steve" Crane, Assistant Secretary
Gary Nelson, Director

all of said persons were present, thus constituting a quorum.

Also present were Cynthia Colondres of Municipal Accounts & Consulting, L.P. ("MA&C"); Jeff Vogler and Taylor Reed of Van De Wiele & Vogler, Inc., ("VVI"); Frank Garcia, Don Self and Chuck Peterson of Gulf Utility Service, Inc. ("GUS"); Josh Fort of Champions Hydro-Lawn ("Champions"); Jonathan Roach, Frank Mitchell and Shaila Shah of Roach & Mitchell, PLLC ("RMPLLC"); Cathy Wheeler of Wheeler & Associates, Inc. ("Wheeler"); and residents Gary Tober and Ben Gibson.

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

APPROVE MINUTES

The Board considered for approval the minutes from the prior Board meeting held on January 24, 2017. Upon motion by Director Nelson, seconded by Director Crane, the Board voted, with Director McGlaughlin abstaining, to approve the minutes of January 24, 2017.

PUBLIC COMMENTS

There were no public comments.

DISCUSSION REGARDING BARKERS CROSSING HOMEOWNERS ASSOCIATION ("BCHOA") POND TRAIL, INCLUDING REVIEW OF POSSIBLE MAINTENANCE AGREEMENT

Mr. Roach stated that he spoke with Ms. Indira Faucher, President of BCHOA, and that RMPLLC is working with them to prepare a proposed maintenance agreement.

TAX ASSESSOR COLLECTOR REPORT

Ms. Wheeler presented the Tax Assessor Collector Report, a copy of which is attached as Exhibit A. Ms. Wheeler stated that the Harris County Appraisal District left off the District's appraisal roll some of the over 65 deferrals on some of the accounts, which resulted in the need for some roll corrections. The Board had no questions regarding the Tax Assessor Collector Report at this time. Upon motion by Director Nelson, seconded by Director Love, the Board voted unanimously to accept the Tax Assessor Collector Report.

DELINQUENT TAX COLLECTIONS ATTORNEY REPORT

Ms. Wheeler then presented the Delinquent Tax Collections Attorney Report which included a request to move two (2) delinquent personal property accounts to the uncollectible roll. Director Nelson inquired on one (1) of the accounts and, after further discussion, upon motion by Director Nelson which was seconded by Director Love, the Board voted unanimously to move the two (2) personal property accounts to the uncollectible roll. Further discussion then ensued regarding the collections of the delinquent tax accounts. Upon motion by Director Nelson, seconded by Director Love, the Board voted unanimously to accept the Delinquent Tax Collections Attorney Report.

RESOLUTION GRANTING EXEMPTIONS FROM TAXATION FOR 2017

Ms. Wheeler stated that she spoke with the District's Financial Advisor regarding the 2017 tax exemptions and inquired with the Board on what amounts they would like to offer to their resident taxpayers. Ms. Wheeler then presented an Analytical Report on Senate Bill No. 2 to the Board for review. Lengthy discussion ensued regarding Senate Bill No. 2 and the current and future tax rates options. After additional discussion, upon motion by Director Crane and a second by Director McGlaughlin, the Board voted to increase the homestead tax exemption to 10% and to keep the 65 years of age and older and federal disability tax exemption at \$3,000 for tax year 2017 and to adopt a corresponding Resolution in that regard. The motion initially passed 4-1 with Director Richardson opposed, and subsequently Director Love revised his vote to opposed, but the motion ultimately passed 3-2.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

Mr. Roach next advised the Board it is authorized pursuant to the Texas Property Tax Code to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that become delinquent as of February 1 of a year and that remain delinquent sixty (60) days after said date, in order to defray the costs of collection of said delinquent taxes. The Board then considered the adoption of a Resolution authorizing such additional penalty. Upon motion by Director McGlaughlin, seconded by Director Crane, the Board voted unanimously to adopt the Resolution Authorizing Additional Penalty on Delinquent Personal Property Taxes.

STATUS OF CONTINUING DISCLOSURE REPORT AND OPTIONS FOR DISCLOSURE COUNSEL

Mr. Roach stated that the District's annual continuing disclosure report and related disclosure filings had been completed by McCall, Parkhurst & Horton, LLP ("MPH") of Dallas, Texas in the past and noted that Ryan O'Hara with Hutchinson, Shockey, Erley & Co. ("HSE") had completed and filed the annual report this year at no additional cost to the District as part of HSE's ongoing financial advisory services. The Board then discussed whether to terminate MPH as disclosure counsel and authorize HSE to complete and file future reports. Upon motion by Director Nelson, seconded by Director McGlaughlin, the Board voted unanimously to terminate MPH and authorize HSE to continue to prepare and file future continuing disclosure reports on the District's behalf. The Board also instructed RMPLLC to prepare the appropriate termination notice to MPH.

STATUS OF ARBITRAGE COMPLIANCE REPORTING REQUIREMENTS

Mr. Roach stated that the arbitration compliance report is being prepared and that this item will be deferred until the report is complete.

BOOKKEEPER'S REPORT

Mrs. Colondres next presented the Bookkeeper's Report, a copy of which is attached hereto as **Exhibit B**. Director Nelson inquired as to the interest rate on some of the District's investments. Mrs. Colondres responded and also noted that operations invoice is a little higher due to the lift pumps and other previously approved items. Ms. Colondres stated that the invoice for Mayde Creek Municipal Utility District ("Mayde Creek MUD") related to their drainage improvements was prepared and submitted to VVI for review. Upon motion by Director McGlaughlin, seconded by Director Love, the Board voted unanimously to approve the Bookkeeper's Report, including payment of the checks.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS

Mr. Roach advised that the Public Funds Investment Act requires that annually the Board review, and revise as appropriate, a list of qualified brokers authorized to engage in investment transactions for the District. Mr. Roach stated that the updated brokers list was provided by Ms. Colondres, with Texas Gulf Bank and Frontier Bank being added to the approved list of qualified brokers. Upon motion by Director Crane, seconded by Director McGlaughlin, the Board voted unanimously approve a Resolution adopting the new list of qualified brokers authorized to engage in investment transactions.

ENGINEER'S REPORT

Mr. Vogler presented the Engineer's Report, a copy of which is attached hereto as **Exhibit C**. Mr. Vogler stated that he is still waiting on the District to obtain easements for the Dulaney Road and Morton Road water main extensions. Mr. Vogler also stated that the Wastewater Treatment Plant

("WWTP") discharge renewal permit notice had been published and VVI is awaiting a draft permit from the Texas Commission on Environmental Quality ("TCEQ"). Mr. Vogler then presented pay estimate #4 in the amount of \$28,439.99 for Rust Busters Industrial Painting, Inc. regarding the Water Plant No. 1 recoating project and noted that the project is almost complete. Mr. Vogler then gave an update regarding the cleaning and televising projects for both Barkers Ridge Sections 4 and 5 and Oak Ridge Place Sections 1, 2 and 3. Mr. Vogler stated that the videos were reviewed and the estimated cost of the corresponding repairs will be approximately \$30,000. He also stated that VVI received the right of entry form from Harris County Flood Control District ("HCFCD") to address the channel and detention pond silting issue and that VVI is now preparing plans to submit to HCFCD. Upon motion by Director McGlaughlin, seconded by Director Crane, the Board voted unanimously to approve the Engineer's Report and pay estimate no. 4.

STATUS OF MAINTENANCE BY CHAMPIONS

Mr. Fort presented the Maintenance Report to the Board, a copy of which is attached as Exhibit D. Mr. Fort stated that there are no issues to report. Director Love inquired on the sinkhole by the airport, and Mr. Fort advised that it has been fixed.

OPERATIONS AND MAINTENANCE REPORT

Mr. Garcia presented the written Operations Report to the Board, a copy which is attached as Exhibit E. Mr. Garcia noted repairs made throughout the District within the month of January. Mr. Garcia stated that the skimmer arm stopped on Clarifier #2 and that a major emergency repair was needed to the gear box. Director Richardson inquired on brown water complaints from the Oak Ridge Place subdivision. Mr. Garcia noted that there has been a lot of flushing and ongoing work that has resulted in stirred up debris within the system. Mr. Garcia discussed additional upcoming repairs, stating that the inlet cover on blower #3 needs a new filter and booster pump #2 needs to be replaced. Mr. Garcia stated that there is one (1) broken fire hydrant that needs to be replaced, as GUS cannot find the parts to repair it. After further discussion, upon motion by Director Richardson, seconded by Director Nelson, the Board voted unanimously to approve the replacement of the fire hydrant.

Director Crane noted that there was a complaint from a resident regarding erosion the resident believes was caused by District flushing. He also inquired about the gate that fell on the newly installed fence. Mr. Garcia addressed his concerns.

Mr. Garcia noted that there were no permit violations and no other operational issues to report this month. Mr. Garcia also advised the Board on certain upcoming expenses, including the Emergency Interconnect Plan ("EIP") with the Board and discussion followed regarding the EIP. Mr. Garcia then presented a photo of a reported sinkhole, which he advised had been reported to Harris County Precinct 3 Commissioner's Office. Upon further discussion and a motion by Director Love, which was seconded by Director Richardson, the Board voted unanimously to approve the Operations and Maintenance Report, including the cutoff list.

Mr. Garcia next presented to and reviewed with the Board two (2) customer bill credit

requests. Upon review and a motion by Director Love, seconded by Director Crane and unanimously approved, the Board voted to authorize a bill adjustment equal to the amount paid in December 2015 for the resident at 3106 Misty Brook Lane. Upon motion by Director Crane, seconded by Director McGlaughlin, the Board also voted unanimously to waive the \$7.50 door tag fee for the resident at 19330 Hickory Meadow Lane.

Director Love noted that Mr. Garcia is leaving GUS and he thanked Mr. Garcia for his service to the District. The Board then discussed how GUS will continue to serve the District after Mr. Garcia's departure.

Ms. Colondres and Ms. Wheeler exited the meeting during the Operation's Report.

CONSIDER AND REVIEW ANNUAL SURVEY OF WAGE RATE SCALES

Mr. Roach stated that the Board is required to adopt a Wage Rate Scale annually and noted that the District currently utilizes the same wage rate scales for construction projects as the City of Houston. Mr. Roach discussed the changes to the wage rate scale made by the City of Houston for 2017. Upon motion by Director McGlaughlin, seconded by Director Crane, the Board voted unanimously to continue using the same wage rate scales as the City of Houston, and to adopt a Resolution accordingly.

ATTORNEY'S REPORT

Mr. Roach requested approval to coordinate with HCFCD to draft a new Interlocal Agreement for mowing reimbursement for 2017, and he discussed issues with the previously approved 2016 agreement. Upon motion by Director Love, seconded by Director Crane, the Board voted unanimously to authorize RMPLLC to coordinate with HCFCD to draft the Interlocal Agreement for 2017.

REVIEW INSURANCE PROPOSALS

Mr. Roach presented the proposal from Arthur J. Gallagher ("AJG") for renewal of the District insurance policies for 2017-2018. Mr. Roach stated that additional proposals were requested but the only company who responded with a proposal was AJG, who is the District's current insurance provider. Mr. Roach noted that the total annual premium was increased by only approximately \$400. Upon motion by Director Crane, seconded by Director McGlaughlin, the Board voted unanimously to accept the insurance proposal from AJG.

CONSIDER ELECTION OF BOARD OFFICER POSITIONS

The Board briefly discussed the state of its current officer positions, and Director Love noted that the current President's term would expire next year and he would be term limited from running for the Board again. Additional discussion ensued, and Director Crane then made a motion to nominate Director Love as President of the Board. Said motion was seconded by Director Richardson. Further discussion ensued regarding the nomination, term limit issues, and the

procedures for the election officers on the Board. Director McGlaughlin read a statement that he had prepared regarding his Presidency and the capability of Director Love to serve as President. Director McGlaughlin also presented emails in support of his Presidency to Mr. Roach for the District's records. Director Love responded to the statement read by Director McGlaughlin, and Director Richardson discussed the function(s) of the Board and the individual Directors, noting that all Directors are to collaborate for the good of the District irrespective of their specific titles or positions. After further discussion, the motion to elect Director Love as President of the Board passed by a vote of three to two (3-2), with Directors McGlaughlin and Nelson opposed. Further discussion ensued regarding the new vacancy in the Vice-President role, previously filled by Director Love. After several nominations which were declined, Director Love made a motion, which was seconded by Director McGlaughlin, and the Board voted unanimously to elect Director Richardson as Vice President. The Board noted the corresponding vacancy in the Secretary position and, upon motion by Director Nelson, seconded by Director McGlaughlin, the Board voted unanimously to elect Director Crane as Secretary. Lastly, upon motion by Director Crane, seconded by Director Richardson, the Board voted unanimously to elect Director Nelson as Assistant Secretary. The Board thanked Director McGlaughlin for his service as President over the years.

ADDITIONAL COMMENTS FROM THE PUBLIC

There were no additional comments.

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

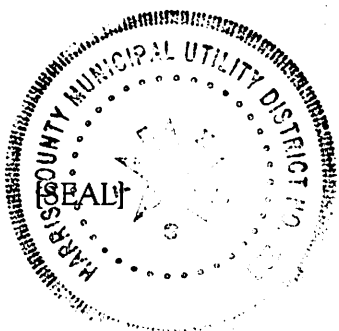
The Board did not enter executive session.


DISCUSS PENDING BUSINESS AND MATTERS FOR FUTURE AGENDAS

The Board discussed the location of future meetings and ultimately agreed to continue to meet at the current meeting location on the usual day and time.

ADJOURNMENT

There being no further matters to come before the Board, Director Love moved that the meeting be adjourned. The motion was seconded by Director Richardson, and carried by unanimous vote, and the meeting was adjourned.





Secretary,
Board of Directors

LIST OF EXHIBITS

Exhibit A	Tax Assessor/Collector Report
Exhibit B	Bookkeeper Report
Exhibit C	Engineer Report
Exhibit D	Maintenance Report
Exhibit E	Operations Report