

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

September 5, 2018

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 501 (the "District") met in regular session, open to the public, on the 5th day of September, 2018, at the Lakehouse, 10000 Towne Lake Parkway, Cypress, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

George Gentry	President
Amy Markiewicz	Vice President
DeBra D. Edwards	Secretary
Jonathan Cowen	Assistant Secretary
Wayne C. Tyson	Assistant Vice President

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

Also present at the meeting were Joanne Quintero, director of Harris County Municipal Utility District No. 500 ("HC 500"); Michael Crahan of the Towne Lake Community Association ("HOA"); Russell Wolff of Residential Recycling & Refuse of Texas, Inc. ("RR&R"); Rose Montalbano of F. Matuska, Inc.; Amy Downhour and Truman Edminster of Edminster Hinshaw Russ and Associates, Inc. ("EHRA"); Michael Ammel of Environmental Development Partners, LLC ("EDP"); Brenda McLaughlin of Bob Leared Interests; Matt Dustin of RBC Capital Markets ("RBC"); Kent Puckett of Caldwell Companies; Alia Vinson, Katie Carner, and Jennifer Ramirez of Allen Boone Humphries Robinson LLP ("ABHR"); and members of the public as shown on the attached list.

PUBLIC COMMENTS

Director Gentry addressed the public and reviewed guidelines for public comments. He then requested any public comments.

There were no comments from the public.

APPROVE MINUTES

The Board reviewed the minutes of the August 1, 2018, regular meeting. After review and discussion, Director Cowen moved to approve the minutes of the August 1, 2018, regular meeting, as submitted. The motion was seconded by Director Edwards and passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Montalbano presented the bookkeeper's report, a copy of which is attached, and submitted the bills for the Board's review. The Board requested that Ms. Montalbano provide the Board with copies of all invoices prior to the Board meetings.

After review and discussion, Director Edwards moved to approve the bookkeeper's report and the checks presented for payment. Director Markiewicz seconded the motion, which passed unanimously.

DISCUSS 2018 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

Ms. Vinson stated that the District's financial advisor is preparing the District's tax rate recommendation and will be ready to discuss the recommendation at the next meeting. After discussion, the Board concurred to schedule a special meeting on September 24, 2018, at 5:30 p.m. at the Lakehouse to discuss the tax rate recommendation, and to further discuss the 2018 tax rate, set public hearing date, and authorize notice of public hearing regarding adoption of tax rate of the October 3, 2018, regular meeting at 5:30 p.m. at the Lakehouse.

DISCUSS CONTRACT FOR AUDITING SERVICES, INCLUDING REVIEW OF CORRESPONDENCE FROM AUDITOR

The Board deferred discussion on this matter until executive session.

AUTHORIZE AUDITOR TO PREPARE SUPPLEMENTAL REIMBURSEMENT REPORT FOR THE SERIES 2017 BONDS

The Board deferred discussion on this matter until after executive session.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin presented the monthly tax report and stated that 99.1% of the District's 2017 taxes had been paid as of August 31, 2018. She also discussed the status of delinquent accounts. Following review and discussion, Director Markiewicz moved to approve the tax report. Director Cowen seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

DISCUSS GARBAGE SERVICES CONTRACT AND GARBAGE COLLECTION AND RECYCLING MATTERS

Mr. Wolff discussed garbage collection and recycling matters in the District. The Board then discussed the fall e-waste and shred event, scheduled for September 22,

2018. After discussion, the Board concurred to reschedule the e-waste and shred event for a date in October. Director Cowen stated that he believes the new crew assigned to the District is doing a great job, and noted the crews are returning trash carts to the garage doors, as requested. Director Edwards also commended the performance improvement of RR&R's work crews.

The Board then discussed RR&R's request for an increase of \$1.95 per connection to the monthly recycling fee, as previously presented to the Board. After review and discussion, Director Markiewicz moved to approve the increase of \$1.95 per connection to the monthly recycling fee, to be effective as of September 1, 2018. Director Cowen seconded the motion, which passed by unanimous vote.

WEBSITE MATTERS

The Board requested the website update regarding the new online customer portal for EDP also be sent as an e-mail communication.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel presented the operator's report from EDP, a copy of which is attached. He reported on the installation of fifteen residential taps and meters.

The Board discussed the request for a replacement water meter from the resident located at 19715 Hubbard Creek Court, previously presented to the Board. Mr. Ammel reviewed the results of the bench test performed on the resident's water meter, a copy of which is attached to the operator's report. He stated that the meter was determined to be accurate and the meter was reinstalled. Mr. Ammel stated that EDP found no evidence of a cross-connection with the property adjacent to the customer's residence and noted that construction of the neighbor's pool is not complete so EDP has not yet completed the final inspection. Mr. Ammel stated that the water usage for the adjacent property was 34,000 gallons in May, 30,000 gallons in June, and 25,000 gallons in July.

Ms. Wagner stated that she observed that the neighbor's pool was complete in May 2018. She also stated that she believes the date on the bench test report is inaccurate. After review and discussion, Director Gentry moved to authorize EDP to replace Ms. Wagner's water meter with a new meter. Director Edwards seconded the motion, which passed by unanimous vote. The Board requested EDP notify the Board when the water meter has been replaced.

After review and discussion, Director Cowen moved to approve the operator's report. Director Markiewicz seconded the motion, which passed unanimously.

CONDUCT HEARING ON TERMINATION OF WATER AND SEWER SERVICE

Mr. Ammel submitted a list of delinquent accounts to the Board for termination of utility service. He stated that the accounts in question have been given written notification of the opportunity to appear, either in person or in writing, at the Board meeting to contest, explain, or correct the charges, services, or disconnection. Mr. Ammel noted that the accounts listed have neither attended the Board meeting nor contacted his office or the District to contest or explain the charges. After discussion, Director Markiewicz moved that the District's operator be authorized to proceed with termination of utility service to the delinquent accounts pursuant to the provisions of the District's Rate Order. The motion was seconded by Director Edwards and carried unanimously.

ENGINEERING MATTERS, INCLUDING REPORT ON GRADE SEPARATION AT UNION PACIFIC RAILROAD AND INTERSECTION IMPROVEMENTS AT HIGHWAY 290 ("UPPR/HIGHWAY 290 PROJECT")

Mr. Edminster updated the Board on the status of HC 500's, as Master District, UPRR/Highway 290 Project, including efforts to obtain additional sources of funding. The Board discussed sending a letter to the Houston-Galveston Area Council in support of the Master District's Transportation Improvement Project application for the UPRR/Highway 290 Project. After review and discussion, Director Cowen moved to authorize submission of a letter to the Houston-Galveston Area Council in support of the Master District's Transportation Improvement Project application. Director Markiewicz seconded the motion, which passed by unanimous vote.

Ms. Downhour then presented an engineer's report from EHRA, a copy of which is attached, and reviewed it with the Board.

SUBMERGED STORM SEWER AGREEMENTS

There was no discussion on this matter.

REVIEW BIDS AND AWARD CONTRACT FOR WATER, SEWER, AND DRAINAGE FACILITIES TO SERVE TOWNE LAKE, SECTION 39, REPLAT 1

Ms. Downhour reported that the District received eight bids for construction of the water, sewer, and drainage facilities to serve Towne Lake, Section 39, Replat 1. She recommended that the Board award the contract to Northtex Construction, LLC ("Northtex"), in the amount of \$801,270.28. The Board concurred that, in its judgment, Northtex was a responsible bidder who would be the most advantageous to the District and would result in the best and most economical completion of the District's facilities. Following review and discussion, Director Markiewicz moved to award the contract for construction of the water, sewer, and drainage facilities to serve Towne Lake, Section

39, Replat 1 to Northtex in the amount of \$801,270.28, based on the engineer's recommendation and subject to approval of the payment and performance bonds and review of the certificate of insurance and endorsements provided by the contractor. Director Edwards seconded the motion, which passed by unanimous vote.

APPROVE PAY ESTIMATE AND CHANGE ORDERS FOR WATER, SEWER, AND DRAINAGE FACILITIES TO SERVE TOWNE LAKE, SECTION 41

Ms. Downhour updated the Board on the construction of the water, sewer, and drainage facilities to serve Towne Lake, Section 41. She had no pay estimates from Clearwater Utilities, Inc. for the Board's review and approval.

WATER, SEWER, AND DRAINAGE FACILITIES AND PAVING REPAIRS IN TOWNE LAKE, SECTIONS 27 AND 28

The Board deferred discussion on this matter until executive session.

REQUESTS FOR CAPACITY RESERVATION TO HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 500 (MASTER) AND REQUESTS FOR UTILITY COMMITMENTS

There was no discussion on this matter.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA") MATTERS

In response to a question from the Board, Ms. Vinson stated that the WHCRWA agreed to increase the surface water commitment for the Master District's water plant no. 1 to the maximum amount allowed under the existing agreement but rejected the Master District's request to increase the surface water commitment to a higher amount, based on lack of availability at this time. She also reported that the WHCRWA agreed to the request for surface water delivery to the Master District's water plant no. 2, subject to the Master District paying for 50% of the construction costs for the surface water delivery line. Ms. Downhour stated that the surface water commitment agreed to by the WHCRWA is sufficient for the Service Area's needs.

APPROVE CONTRACT WITH STORM WATER SOLUTIONS, L.P.

There was no discussion on this matter.

ACCEPT CONVEYANCE OR ASSIGNMENT OF DEEDS AND EASEMENTS; APPROVE ABANDONMENT OF EASEMENTS; ACCEPT UTILITY DEED

There was no discussion on this matter.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT, INCLUDING ACQUISITION OF NEW TRACT WITHIN THE DISTRICT

Mr. Puckett updated the Board on the status of development in the District. He stated that the 20-acre Lone Star College tract within the District's boundaries is under contract for purchase by Caldwell Companies. Mr. Puckett stated closing is scheduled for approximately January 2019. Discussion ensued regarding installation of the boat ramp and proposed development of an amphitheater.

HC 500 (MASTER) MATTERS

AUTHORIZE EXECUTION OF GENERAL CERTIFICATE IN CONNECTION WITH HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 500 ("MASTER DISTRICT") BOND SALE

The Board considered authorizing execution of the General Certificate in connection with the Master District's Series 2018 Taxable Contract Revenue Bonds (Water, Sewer, and Drainage Facilities). Following review and discussion, Director Cowen moved to authorize execution of the General Certificate in connection with the Master District's Series 2018 Taxable Contract Revenue Bonds (Water, Sewer, and Drainage Facilities). Director Edwards seconded the motion, which passed unanimously.

AUTHORIZE EXECUTION OF RESOLUTION TO COMPLY WITH THE SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 IN CONNECTION WITH MASTER DISTRICT'S BOND SALE

The Board considered authorizing execution of the Resolution to Comply with the Securities and Exchange Commission Rule 15c2-12, whereby the District agrees to provide current financial information on an annual basis. Following review and discussion, Director Cowen moved to authorize execution of the Resolution to Comply with the Securities and Exchange Commission Rule 15c2-12 in connection with the Master District's Series 2018 Taxable Contract Revenue Bonds (Water, Sewer, and Drainage Facilities). Director Edwards seconded the motion, which passed unanimously.

DISCUSS MASTER DISTRICT RECREATIONAL AND DETENTION FACILITIES

Ms. Vinson updated the Board on the status of wildlife management in detention facilities owned by HC 500, as Master District. The Board reviewed a memorandum from the Master District to the District regarding a recent alligator sighting, a copy of which is attached.

Ms. Vinson reported on the Master District special meeting held on August 22, 2018, which included a discussion regarding maintenance of the regional detention facilities. She stated that the Master District deferred adopting rules for the regional detention facilities, pending the HOA's finalization of its lake rules.

DISCUSS LAKE MAINTENANCE

Ms. Vinson reported that the Master District surplus funds application for lake dredging is still under review by the Texas Commission on Environmental Quality. She stated that the Master District has not begun a lake dredging project.

CORRESPONDENCE REGARDING BILLING FOR WHCRWA FEES

The Board reviewed a letter agreement from HC 500, as Master District, a copy of which is attached, regarding the Master District's intent to separate out the WHCRWA groundwater pumpage and surface water fees ("Authority Fees") from the monthly per connection charges, and bill the Authority Fees to each Participant based on its actual water usage, beginning with the Master District's fiscal year ending March 31, 2020. After review and discussion, the Board deferred action on this matter.

MEMORANDUM REGARDING SUPPLEMENTAL LAW ENFORCEMENT SERVICES IN TOWNE LAKE AND REQUEST FROM HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 502 ("HC 502") REGARDING SAME

The Board review a memorandum from HC 500, as Master District, notifying the Participant districts that the Master District does not intend to renew the Cost Sharing Agreement for Law Enforcement Services with the HOA upon expiration of the current term on February 28, 2019, a copy of which is attached.

The Board then reviewed correspondence from HC 502, a copy of which is attached, requesting a workshop with the Participant districts and the HOA to discuss the current contract for law enforcement services and options for future provision of security services in Towne Lake. Mr. Crahan stated that without the Master District sharing in the cost, the HOA would likely not renew the security contract upon the expiration of the current agreement. After discussion, the Board concurred to authorize two Board members to attend the workshop on behalf of the District. Director Gentry noted he recommends that the Board create a Security Committee, and that it will be discussed further under agenda item 25.

REPORT FROM DISTRICT CONSULTANTS REGARDING DISTRICT CORRESPONDENCE AND PROVISION OF RECORDS

The Board reviewed correspondence regarding the District's auditor and open records requests received by the District, copies of which are attached.

DISCUSS UTILITY RATES AND TAX RATES AND AMEND RATE ORDER

There was no discussion on this matter.

DISCUSS COMMITTEE STRUCTURE AND COMMUNICATIONS MATTERS, INCLUDING ADOPT RESOLUTION ESTABLISHING COMMITTEES

The Board reviewed a draft Resolution Establishing Committees. Discussion ensued. After review and discussion, Director Gentry moved to (1) adopt the Resolution Establishing Committees, as discussed, and direct that the Resolution be filed appropriately and retained in the District's official records; and (2) appoint Director Markiewicz to serve as the website liaison on behalf of the Board. Director Markiewicz seconded the motion, which passed by unanimous vote. The Board concurred to request that the two directors appointed to the Security Committee attend the workshop with the other Participant districts and the HOA to discuss security matters.

DISCUSS MEETING SCHEDULE AND LOCATION AND ADDITION OF FUTURE AGENDA ITEMS, INCLUDING ADOPT RESOLUTION ESTABLISHING ADDITIONAL OUT-OF-DISTRICT MEETING PLACE

The Board concurred to hold the next regular Board meeting on October 3, 2018, at 5:30 p.m. at the Lakehouse and to schedule a special meeting on September 24, 2018, at 5:30 p.m. at the Lakehouse.

The Board considered adding the Heritage Lodge and the Towne Lake Clubhouse as additional out-of-district meeting places. After review and discussion, Director Cowen moved to adopt the Resolution Establishing Additional Out-of-District Meeting Places and direct that the Resolution be filed appropriately and retained in the District's official records. Director Markiewicz seconded the motion, which passed unanimously.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT PRIVATE CONSULTATION WITH ATTORNEY

The Board convened in Executive Session at 7:29 p.m. pursuant to Section 551.071 of the Texas Government Code to conduct a private consultation with their attorney to discuss pending or contemplated litigation or a settlement offer. Mr. Edminster, Ms.

Downhour, Ms. Vinson, Ms. Carner, and Ms. Ramirez also were present.

Mr. Edminster and Ms. Downhour left the meeting at 7:37 p.m.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING CONTEMPLATED LITIGATION, OR A SETTLEMENT OFFER

The Board reconvened in Open Session at 8:10 p.m.

DISCUSS CONTRACT FOR AUDITING SERVICES, INCLUDING REVIEW OF CORRESPONDENCE FROM AUDITOR (CONT'D)

The Board reviewed correspondence from the District's auditor, McCall Gibson Swedlund Barfoot PLLC ("McCall") dated August 31, 2018, a copy of which is attached. After review and discussion, Director Gentry moved to (1) request that McCall provide a new version of the letter on McCall letterhead with an original signature; and (2) request that McCall provide the Board with written statements of support from the other certified public accountants referenced in McCall's letter. Director Markiewicz seconded the motion, which passed by unanimous vote.

AUTHORIZE AUDITOR TO PREPARE SUPPLEMENTAL REIMBURSEMENT REPORT FOR THE SERIES 2017 BONDS (CONT'D)

The Board then considered authorizing McCall to perform a supplemental developer reimbursement report for the Series 2017 bonds for the water, sewer, and drainage facilities to serve Towne Lake, Section 44. After review and discussion, Director Cowen moved to authorize McCall to perform a supplemental developer reimbursement report for the Series 2017 bonds. Director Markiewicz seconded the motion, which passed unanimously.

OPERATION OF DISTRICT FACILITIES (CONT'D)

The Board discussed the customer request from the resident at 19715 Hubbard Creek Court and the District's response to same. The Board concurred to authorize Director Gentry to send a letter to the resident regarding the matter.

HC 500 (MASTER) MATTERS (CONT'D)

CORRESPONDENCE REGARDING BILLING FOR WHCRWA FEES

The Board discussed the letter agreement received from HC 500, as Master District. They requested the draft budget for the current fiscal year that showed the impact of the Master District potentially splitting out the Authority Fees and billing them to the District based on its actual usage.

PUBLIC COMMENTS

Mr. Markiewicz addressed the Board regarding the operating fund balance.

Mr. Markiewicz inquired about the taxable status of the \$10,500,000 Taxable Contract Revenue Bonds (Water, Sewer, and Drainage Facilities), Series 2018, sold by HC 500, as Master District, and the tax-exempt status of bonds previously issued to reimburse the developer for the regional detention facilities. Ms. Vinson discussed the tax status of the Master District's bonds for the regional detention facilities.

Mr. Markiewicz addressed the Board regarding the alligator monitoring provided by HC 500, as Master District, and inquired whether there are examples of wildlife management in areas that contain similar regional detention facilities that are also utilized for recreational purposes. Discussion ensued.

There being no further business to come before the Board, the Board concurred to adjourn the meeting.

(SEAL)




Secretary, Board of Directors

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