

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

September 24, 2018

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 501 (the "District") met in special session, open to the public, on the 24th 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, thus constituting a quorum.

Also present at the meeting were Jeffry D. Ottmann, director of Harris County Municipal Utility District No. 500 ("HC 500"); Brenda McLaughlin of Bob Leared Interests; Matt Dustin of RBC Capital Markets ("RBC"); Alia Vinson 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 reviewed guidelines for public comments. He then requested any public comments.

Mr. Markiewicz stated that he is pleased the District's total tax rate has decreased in prior years, and he would like the Board to lower the tax rate again this year because he believes the District's general fund balance is too large. He also stated that he is still concerned about the independence of the auditor for the District and HC 500.

Mr. Jannik stated he believes the District's total tax rate should be lowered since there is more development in the District that should bring in additional revenue.

DISCUSS 2018 DISTRICT TAX RATE

Mr. Dustin reviewed RBC's tax rate recommendation, a copy of which is attached, and recommended that the Board levy a 2018 total tax rate of \$1.24, comprised of \$0.26 per \$100 of assessed valuation to provide for the District's debt service requirements, \$0.96 per \$100 of assessed valuation to provide for the District's contract tax requirements, and \$0.02 per \$100 of assessed valuation to provide for maintenance and operations.

Discussion ensued regarding RBC's recommended reserve levels for the District's contract tax fund, debt service fund, and general operating fund and methods of financing the public infrastructure to serve the possible development of the 20-acre Lone Star College tract that the developer has indicated it will purchase in January 2019. The Board requested RBC prepare a preliminary debt service schedule associated with bond financing construction of the public infrastructure to serve the 20-acre Lone Star College Tract.

Ms. Vinson stated that the Order Approving the Issuance of Bonds from the Texas Commission on Environmental Quality ("TCEQ") to HC 500, as Master District, directs the Master District to instruct the participant districts to levy a contract tax rate of at least \$0.87 per \$100 of assessed valuation.

Mr. Dustin reviewed a general fund analysis, a copy of which is attached, reflecting two different scenarios for potential additional budget expenses projected beginning in the fiscal year ending March 31, 2020.

Mr. Dustin also reviewed tax rate analyses reflecting 97% and 99% tax collection rates, copies of which are attached. Discussion ensued regarding the impact of the District's collection rate on the general operating fund balance and the current reserve level.

PUBLIC COMMENTS

Mr. Ackerman inquired about the typical amount of outstanding debt for municipal utility districts. He stated that he believes the District does not need to have a one-year reserve in the debt service fund. Mr. Dustin stated that a one-year debt service fund reserve is customary for municipal utility districts, regardless of the total amount of outstanding debt.

Mr. Ackerman inquired if the Board was evaluating a financial scenario based on HC 500, as Master District, not issuing additional debt due to a hypothetical future decrease in value in Towne Lake. Ms. Vinson discussed the obligation of the Master District to reimburse the developer for construction of public infrastructure. Mr. Dustin stated that RBC's tax rate recommendation includes a projection of future values and Master District bond issuances, noting that there would be less new debt issued if there was less growth in value.

Mr. Ackerman inquired about the developer reimbursement for landscaping in the road rights-of-way. Ms. Vinson explained the projects that are eligible for reimbursement.

Mr. Ackerman inquired about the amount that HC 500 contributes to the contract payments. Mr. Dustin stated that HC 500, as Internal District, makes contract payments

based on its pro-rata share of the overall value in the Master District service area in the same manner as the other Participant districts. In response to an inquiry from Mr. Ackerman, Mr. Dustin stated that the pro-rata share of overall value calculation does not include any optional tax exemptions granted by an individual district.

Mr. Ackerman inquired if the reimbursement for public infrastructure to serve the 20-acre Lone Star College tract could be borne only by future residents of the tract. Ms. Vinson explained that the District is obligated to provide service to the tract since the tract is located within the boundaries of the District. She also discussed the provisions of the development reimbursement agreement, which requires the developer to advance the costs of construction of the public infrastructure and requires the District to reimburse the developer for those costs, in accordance with the applicable statutory provisions and TCEQ requirements.

Mr. Ottmann requested the Board exercise caution in determining the projected tax collection rate used to set the overall tax rate. He stated he believes it would be beneficial for the Board to review a financial analysis based on a hypothetical future decrease in value.

Ms. Torkay requested the Board lower the tax rate and stated that she believes residents will move out of the District and values will decline if the tax rate does not decrease. She requested the Board use a higher tax collection rate than 95% when considering the overall tax rate.

Ms. Torkay noted an apparent typo in RBC's general fund analysis and stated that she thinks the revenue and expenditure line items should match.

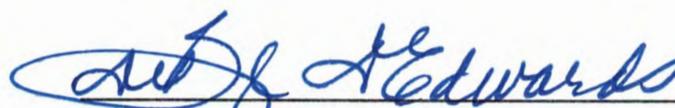
Mr. Markiewicz stated that he believes the Board should set an overall tax rate of \$1.18 or lower based on the current operating fund reserve levels.

Mr. Markiewicz inquired about the timeline for possible development of the 20-acre Lone Star College tract. Ms. Vinson stated that the developer reported to the Board at the September regular meeting that the developers plan to purchase the tract in January 2019. Mr. Markiewicz stated that he believes the Board should run a time value of money analysis on cash financing versus bond financing the construction of the public infrastructure to serve the tract.

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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