

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

October 3, 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 3rd day of October, 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 Travis Singleton 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 and Austin Swenson of RBC Capital Markets ("RBC"); Jerry Hlozek 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.

Mr. Markiewicz stated that he believes the developer's purchase of the 20-acre Lone Star College tract has not been approved by the Board of Trustees for Lone Star College. Ms. Vinson reminded the Board of the information given by the developer regarding the status of the purchase of the 20-acre Lone Star College tract at the previous regular Board meeting. She stated the developer indicated they still expect to close on the purchase of the tract in January 2019.

APPROVE MINUTES

The Board reviewed the minutes of the September 5, 2018, regular meeting. After review and discussion, Director Gentry moved to approve the minutes of the

September 5, 2018, regular meeting, as submitted. The motion was seconded by Director Cowen 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. After review and discussion, Director Cowen moved to approve the bookkeeper's report and the checks presented for payment. Director Tyson seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin presented the monthly tax report and stated that 99.2% of the District's 2017 taxes had been paid as of September 30, 2018. She also discussed the status of delinquent accounts. Following review and discussion, Director Cowen moved to approve the tax report. Director Markiewicz seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

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

Mr. Dustin reviewed RBC's 2018 tax rate recommendation, a copy of which is attached, which was previously presented to the Board at the September 24, 2018, special Board meeting. He stated that he continues to recommend 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.

Mr. Dustin also discussed the tax rate analyses reflecting 97% and 99% tax collection rates, which were previously presented to the Board.

Mr. Dustin then reviewed a sources and uses of funds analysis, a copy of which is attached, reflecting a scenario in which the District uses surplus operating funds to buy down the District's debt service tax rate for 2018 and bond finances the construction of the public infrastructure to serve the possible development of the 20-acre Lone Star College tract.

Director Tyson then presented his tax rate analysis, a copy of which is attached, recommending a total 2018 tax rate of \$1.22. He stated he supports using operating funds to finance the construction of public infrastructure to serve the 20-acre Lone Star College tract. Discussion ensued regarding cash versus bond financing the future construction of public infrastructure.

Director Cowen presented his tax rate analysis, a copy of which is attached. He stated he supports a total 2018 tax rate of \$1.18.

Director Markiewicz stated she supports a total 2018 tax rate of \$1.15.

Director Edwards stated she supports a total 2018 tax rate of \$1.19.

Director Gentry presented his own tax rate analysis, a copy of which is attached. He stated he supports a total 2018 tax rate of \$1.185. Director Gentry stated his analysis assumes public infrastructure to serve the possible development of the 20-acre Lone Star tract would be funded with operating funds.

Ms. Vinson reviewed the parameters under which District taxpayers could petition for a rollback tax election.

The Board then considered setting a public hearing date and authorizing notice of a public hearing regarding the District's adoption of a 2018 tax rate. Director Gentry moved to authorize publication of the proposed maximum 2018 tax rate of \$1.19 and set the public hearing for November 7, 2018, at 5:30 p.m. at the Lakehouse. The motion was seconded by Director Markiewicz. Upon the vote being called, the motion passed by a vote of 4-1, with Director Tyson opposed.

DISCUSS GARBAGE COLLECTION AND RECYCLING MATTERS, INCLUDING FALL COMMUNITY SHRED EVENT AND REPORT FROM TRASH COMMITTEE

Ms. Carner reported that the fall e-waste and shred event for District residents is scheduled for October 20, 2018 at the Lakehouse parking lot. She stated that the invitation for the event was distributed in the September utility bills and is posted on the District's website.

Mr. Wolff discussed garbage collection and recycling matters in the District. The Board reviewed correspondence from a resident regarding garbage service, a copy of which is attached. Directors Edwards and Tyson commended the performance improvement of RR&R's work crews.

WEBSITE MATTERS

There was no discussion on this matter.

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 ten residential taps and meters.

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 Tyson 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 Markiewicz 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 Harris County Municipal Utility District No. 500's ("HC 500"), as Master District, UPRR/Highway 290 Project, including efforts to obtain additional sources of funding. He discussed the status of the Master District's Transportation Improvement Project application to the Houston-Galveston Area Council ("H-GAC"), including the potential schedule for award of the H-GAC funding and a timeline for potential commencement of construction of the UPRR/Highway 290 Project.

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.

APPROVE PLANS AND SPECIFICATIONS, AUTHORIZE ADVERTISEMENT FOR BIDS, AND REVIEW BIDS AND AWARD CONSTRUCTION CONTRACTS

There was no discussion on this matter.

APPROVE PAY ESTIMATE AND CHANGE ORDERS FOR WATER, SEWER, AND DRAINAGE FACILITIES TO SERVE TOWNE LAKE, SECTION 39, REPLAT 1

Ms. Downhour updated the Board on the construction of the water, sewer, and drainage facilities to serve Towne Lake, Section 39, Replat 1. She had no pay estimates from Northtex Construction, LLC for the Board's review and approval.

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 reviewed and recommended approval of Pay Estimate No. 1 in the amount of \$611,248.72, submitted by Clearwater Utilities, Inc. After review and discussion, Director Cowen moved to approve Pay Estimate No. 1 in the amount of \$611,248.72, as recommended. Director Markiewicz seconded the motion, which passed by unanimous vote.

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

Ms. Downhour requested that the Board authorize EHRA to send a capacity reservation request letter to HC 500 requesting water and sewer capacity for 82 connections for Towne Lake, Section 41. Following discussion, Director Edwards moved to approve the request to HC 500 for a capacity reservation for 82 connections for Towne Lake, Section 41. Director Tyson seconded the motion, which carried unanimously.

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

The Board reviewed a Notice of Anticipated Fees for 2019 from the WHCRWA, a copy of which is attached, indicating a proposed \$0.25 per 1,000 gallon increase to the Groundwater Reduction Plan Fee, resulting in a total of \$2.95 per 1,000 gallons, and a \$0.25 per 1,000 gallon increase in the Surface Water Fee, resulting in a total of \$3.35 per 1,000 gallons.

The Board discussed the WHCRWA Annual Town Hall Meeting on October 25, 2018. Ms. Vinson noted the Board previously authorized interested directors to attend WHCRWA events.

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. Hlozek updated the Board on the status of development in Towne Lake. In response to an inquiry from the Board, Mr. Hlozek updated the Board on the status of the purchase of the 20-acre Lone Star College Tract, including proposed development plans for the tract. He stated that the purchase is in the process of receiving final approval from the Board of Trustees of Lone Star College and closing is still scheduled for January 2019.

HC 500 (MASTER) MATTERS

The Board reviewed a letter from HC 500, as Master District, a copy of which is attached, in response the District's letter regarding HC 500's efforts to secure additional water supply sources.

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. She stated that HC 500 approved the trapper to set up beaver traps in Section 1.

DISCUSS LAKE EROSION/MAINTENANCE, INCLUDING REPORT FROM
LAKE EROSION/MAINTENANCE COMMITTEE

Ms. Vinson reported that the HC 500's 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 discussed the 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, previously presented to the Board. Ms. Vinson reported that HC 500, as Internal District, Harris County Municipal Utility District No. 502, and Harris County Municipal Utility District No. 503 have approved the letter agreement. The Board discussed the provisions of the Master District Contract related to the annual budget setting process and the arbitration of disputes. After review and discussion, Director Tyson moved to authorize execution of the letter, acknowledging and agreeing as of the Master District's fiscal year ending March 31, 2020, that the Master District will separate out the Authority Fees from the monthly per connection charge and bill them to each Participant based on its actual water usage. Director Cowen seconded the motion, which passed by unanimous vote.

Director Gentry expressed his interest in working with the Mast District to potentially modify language in the Master District contract related to the arbitration of disputes.

COMMUNITY EDUCATION MATTERS, INCLUDING REPORT FROM COMMUNITY EDUCATION COMMITTEE

The Board discussed community education matters.

SECURITY MATTERS, INCLUDING REPORT FROM SECURITY COMMITTEE

The Board discussed security matters. Director Markiewicz updated the Board on the security workshop held on September 24, 2018, with representatives of the Participant districts. She reported that the representatives of the Participant districts recommended that each Participant district consider authorizing execution and submission of a letter from HC 500, as Master District, to the HOA further explaining the Master District's decision not to renew the Cost Sharing Agreement for Law Enforcement Services, as amended, when it expires on February 28, 2019, and recommending that the HOA continue to contract for security with the Harris County Sheriff's Office and assume all costs for such contract. Ms. Carner reviewed the letter from the Master District to the HOA. After review and discussion, Director Tyson moved to authorize execution of the letter. Director Cowen seconded the motion, which passed by unanimous vote.

REPORT FROM DISTRICT CONSULTANTS REGARDING DISTRICT
CORRESPONDENCE AND PROVISION OF RECORDS

The Board reviewed correspondence regarding the District's open records requests and electricity 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 CONTRACT FOR AUDITING SERVICES, INCLUDING REVIEW OF
CORRESPONDENCE FROM AUDITOR

The Board deferred discussion on this matter until executive session.

DISCUSS MEETING SCHEDULE, ADDITION OF FUTURE AGENDA ITEMS, AND
DISCUSS PURCHASE OF NAME PLATES

The Board concurred to hold the next regular Board meeting on November 7, 2018, at 5:30 p.m. at the Lakehouse. The Board considered purchasing name plates for use at Board meetings. After review and discussion, Director Tyson moved to authorize Director Cowen to purchase name plates for the Board. Director Edwards seconded the motion, which passed by unanimous vote.

CONVENE IN EXECUTIVE SESSION PURSUANT TO (1) DELIBERATE THE
DEPLOYMENT OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY
PERSONNEL OR DEVICES, PURSUANT TO SECTION 551.076, TEXAS
GOVERNMENT CODE, AND (2) CONDUCT A PRIVATE CONSULTATION WITH
ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION, OR A
SETTLEMENT OFFER, PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT
CODE

The Board convened in Executive Session at 8:20 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. Ms. Downhour, Mr. Edminster, Ms. Vinson, Ms. Carner, and Ms. Ramirez also were present.

Mr. Edminster and Ms. Downhour left the meeting at 8:32 p.m.

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

The Board reconvened in Open Session at 8:49 p.m.

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

After review and discussion, Director Gentry moved to authorize preparation and submittal of correspondence to the District's auditor, McCall Gibson Swedlund Barfoot, PLLC, regarding the Board's concerns over its performance. Director Markiewicz seconded the motion, which passed by unanimous vote.

PUBLIC COMMENTS

There were no public comments.

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

(SEAL)



A handwritten signature in blue ink, appearing to read "J. Edwards", written over a horizontal line.

Secretary, Board of Directors

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