

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 501

August 1, 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 1st day of August, 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 Jay Sunderwala of Ninyo & Moore; Jerrell Wolff, Curtis Brown, and Russell Wolff of Residential Recycling & Refuse of Texas, Inc. ("RR&R"); Rose Montalbano of F. Matuska, Inc.; Noel Barfoot of McCall Gibson Swedlund Barfoot PLLC ("McCall"); Ali McDonald of McDonald & Wessendorff Insurance ("McDonald"); Amy Downhour 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"); 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 there is a potential conflict of interest between the District's auditor and the developer, Caldwell Companies, and asked if that matter would be addressed during the meeting. Director Gentry stated that item would be addressed under agenda item no. 4.

APPROVE MINUTES

The Board reviewed the minutes of the July 11, 2018, regular meeting. After review and discussion, Director Cowen moved to approve the minutes of the July 11, 2018, regular meeting. 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. She also reviewed the quarterly investment report, a copy of which is attached to the bookkeeper's report.

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

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

Ms. Vinson stated that the District has requested Texas Commission on Environmental Quality ("TCEQ") approval for release of funds held in escrow to reimburse the developer for construction of water, sewer, and drainage facilities for Towne Lake, Section 44, which that have been completed. She stated that a supplemental reimbursement report for the Series 2017 Bonds is required to be approved by the Board prior to the distribution of funds to the developer.

Mr. Barfoot confirmed that Caldwell Companies is the owner of the building where the offices of McCall are located. He stated that McCall leased the offices under a previous owner, and Caldwell Companies subsequently purchased the building. Mr. Barfoot stated that McCall conducted a cost-benefit analysis of moving offices prior to the renewal of the lease agreement, but McCall determined changing offices would be prohibitively expensive. He stated that he believes the lease agreement with Caldwell Companies does not impair McCall's independence with respect to preparing the District's annual audits and reimbursement reports, noting that McCall pays fair market value for the office space.

Director Markiewicz inquired why McCall did not previously disclose the potential conflict of interest. Mr. Barfoot stated that McCall did not believe it was a necessary disclosure.

Ms. Vinson reported that ABHR has reviewed the Texas Water Code and Local Government Code requirements related to conflicts of interest and found no legal conflict of interest exists as a result of McCall's lease arrangement. Ms. Vinson also stated that McCall has indicated they are willing to add a statement to future documents prepared for the District disclosing the lease agreement between McCall and Caldwell Companies.

Director Gentry requested McCall file an updated audit for the fiscal year ending March 31, 2018, with the TCEQ containing a statement from McCall disclosing the lease

agreement with Caldwell Companies. He also requested ABHR prepare a written memorandum regarding Texas legal requirements pertaining to the matter for the Board's review at the next meeting.

The Board then considered authorizing McCall to perform a supplemental developer reimbursement report for the Series 2017 Bonds. After review and discussion, the Board concurred to defer action on this matter.

AUTHORIZE RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. McDonald reviewed the proposal from McDonald for renewal of the District's insurance policies. Discussion ensued regarding additional optional insurance coverages. After review and discussion, Director Markiewicz moved to approve the insurance renewal proposal and direct that the proposal be filed appropriately and retained in the District's official records. Director Tyson seconded the motion, which passed by unanimous vote.

TAX ASSESSMENT AND COLLECTION MATTERS

Ms. McLaughlin presented the monthly tax report and stated that 98.7% of the District's 2017 taxes had been paid as of July 31, 2018. She also discussed the status of delinquent accounts.

Ms. McLaughlin presented a request for a waiver of penalty and interest from the resident at 10410 Squaw Creek Drive, a copy of which is attached. After discussion, the Board concurred to take no action on the request.

Following review and discussion, Director Tyson 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.

GARBAGE COLLECTION AND RECYCLING MATTERS

Mr. Jerrell Wolff addressed the Board regarding RR&R's request for an increase of \$1.95 per connection to the monthly recycling fee, as previously presented to the Board.

The Board discussed longstanding and recurrent concerns with garbage collection and recycling services in the District. The Board also reviewed resident correspondence regarding service concerns and the responses from RR&R, copies of which are attached.

Mr. Jerrell Wolff, Mr. Brown, and Mr. Russell Wolff addressed the Board regarding the service concerns and responsive actions taken by RR&R.

After review and discussion, the Board requested RR&R provide the Board with a weekly service summary and requested RR&R ensure all garbage cans are returned to the garage door of each residence. Mr. Russell Wolff additionally stated that a representative of RR&R will attend Board meetings each month.

The Board deferred discussion on potential termination of the contract with RR&R until executive session.

WEBSITE MATTERS

Director Cowen requested that the District's website be updated to include contact information for residents to report streetlight outages to CenterPoint Energy, and also to provide the Harris County Sheriff's Office non-emergency number.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed a request from the resident located at 19715 Hubbard Creek Court for a replacement water meter due to higher than expected usage, a copy of which is attached to the operator's report. He reported that EDP noted water usage on the customer side of line when EDP came out to investigate. Mr. Ammel stated that EDP can pull the meter and perform a bench test for accuracy. Ms. Wagner then addressed the Board regarding her request and reported that three different plumbers found no leaks on her side of the line. She stated that she believes her meter is malfunctioning or there is a cross-connection to her neighbor's line, because her neighbor filled their new pool during the period covered by her higher-than-expected bill, and requested the Board replace her water meter. Discussion ensued.

After review and discussion, Director Tyson moved to (1) authorize EDP to pull Ms. Wagner's water meter and perform a bench test; and (2) request EDP to provide inspection reports for the swimming pool on the property adjacent to the customer's residence to ensure there are no cross-connections. Director Gentry seconded the motion, which passed by unanimous vote.

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

Mr. Ammel reviewed ten accounts with outstanding balances in excess of \$25.00, and requested authorization to write off the accounts as uncollectible and turn over the accounts to the collection agency to pursue collection.

Mr. Ammel reviewed a handout on the new online customer portal, a copy of which is attached.

After review and discussion, Director Markiewicz moved to (1) approve the operator's report; and (2) authorize EDP to write off the ten accounts as uncollectible

and turn over the accounts to a collection agency. Director Tyson 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 Tyson and carried unanimously.

DISCUSS WATER CONSERVATION PLAN AND DROUGHT CONTINGENCY PLAN

The Board reviewed the District's Water Conservation Plan and Drought Contingency Plan. Discussion ensued.

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

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

Ms. Downhour updated the Board on the status of the UPRR/Highway 290 project, including efforts to obtain additional sources of funding.

SUBMERGED STORM SEWER AGREEMENTS

There was no discussion on this matter.

RECEIVE ANNUAL REPORT FROM ENGINEER ON SECTION 49.2731 ELECTRONIC BIDDING RULES

Ms. Downhour presented and reviewed the annual report on Section 49.2731 electronic bidding rules, a copy of which is attached to the engineer's report. She stated no changes were recommended at this time.

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. ("Clearwater") for the Board's review and approval.

Ms. Downhour reviewed and recommended approval of a proposal in the amount of \$35,490 from Ninyo & Moore for construction materials testing services. After review and discussion, Director Cowen moved to approve the proposal from Ninyo & Moore and direct that the proposal be filed appropriately and retained in the District's official records. Director Markiewicz seconded the motion, which passed by unanimous vote.

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

The Board deferred review of bids and award of contract for construction of the water, sewer, and drainage facilities to serve Towne Lake, Section 39, Replat 1, pending receipt of bids.

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.

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.

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

In response to a question from the Board, Ms. Vinson explained the WHCRWA surface water fees and stated that at its regular meeting, Harris County Municipal Utility District No. 500 ("HC 500"), as Master District, authorized a notice to the Participant districts regarding HC 500's intent to transition to a policy of separately charging the Participant districts the WHCRWA surface water fees based on actual usage for the fiscal year ending March 31, 2020, rather than including such fees in the monthly per connection charges for operation and maintenance costs. Discussion ensued.

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

The Board requested that ABHR request a status update on the developer's potential acquisition of a new tract within the District.

DISCUSS MASTER DISTRICT RECREATIONAL AND DETENTION FACILITIES

Director Cowen stated that HC 500 adopted park rules at the HC 500 Master District meeting, noting the prohibition against amplified noise and penalties for violations. Ms. Vinson stated that since the Section 43/46 park is owned by the Master District, it is a public park, and HC 500 determined a set of rules separate from the Towne Lake Community Association were needed. In response to a question from the Board, Ms. Vinson stated that HC 500 has not adopted rules for the regional detention facilities, but she noted that lake rules will be discussed at the HC 500 special meeting scheduled for August 22, 2018.

Ms. Vinson updated the Board on the status of wildlife management in detention facilities owned by HC 500, as Master District. She reported on recent unconfirmed sightings of an alligator in the regional detention facilities. Ms. Vinson stated that HC 500 has obtained a nuisance permit from the Texas Parks and Wildlife Department, and A All Animal Control is attempting to locate and remove an alligator. The Board reviewed a memorandum from HC 500 to the District regarding the recent alligator sightings, a copy of which is attached. The Board requested that the memorandum be posted to the District's website.

Ms. Vinson also reported that an unknown individual tampered with the contractor's trapping equipment and noted potential fines and/or criminal penalties for tampering with the equipment. Director Cowen additionally reported that HC 500, as Master District, approved a proposal for an additional 12 weeks of alligator monitoring.

DISCUSS LAKE MAINTENANCE

Ms. Vinson stated that the HC 500, as Master District, special meeting on August 22, 2018, will also include a discussion regarding maintenance of the regional detention facilities.

REPORT FROM DISTRICT CONSULTANTS REGARDING DISTRICT CORRESPONDENCE AND PROVISION OF RECORDS

The Board reviewed 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

The Board reviewed an overview of the revised proposed committee structures provided by Director Gentry, a copy of which is attached. Discussion ensued. After review and discussion, the Board deferred action until the next regular Board meeting.

DISCUSS MEETING SCHEDULE AND LOCATION AND ADDITION OF FUTURE AGENDA ITEMS

The Board concurred to hold the next regular Board meeting on September 5, 2018, at 5:30 p.m. at the Lakehouse.

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 7:56 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. Sunderwala, Ms. Downhour, Ms. Vinson, Ms. Carner, and Ms. Ramirez also were present.

Mr. Sunderwala and Ms. Downhour left the meeting at 8:35 p.m.

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

The Board reconvened in Open Session at 9:04 p.m.

ENGINEERING MATTERS (CONT'D)

WATER, SEWER, AND DRAINAGE FACILITIES AND PAVING REPAIRS IN TOWNE LAKE, SECTIONS 27 AND 28 (CONT'D)

After discussion, Director Gentry moved to authorize Director Tyson to act as the District's representative in matters related to the Towne Lake, Section 27 and 28 paving repairs related to ongoing correspondence with Monarch Civil Constructors, LLC. Director Cowen seconded the motion, which passed by unanimous vote.

GARBAGE COLLECTION AND RECYCLING MATTERS (CONT'D)

The Board discussed RR&R's request for a \$1.95 per connection increase in the monthly recycling fee. After review and discussion, the Board deferred action on the request for the increase until the next regular Board meeting.

PUBLIC COMMENTS

Mr. Markiewicz noted his concerns that McCall failed to disclose its lease agreement with Caldwell Companies. He stated that pursuant to ethical and professional standards for certified public accountants, he believes McCall should have previously disclosed the relationship. He discussed his discussions with the American Institute of CPAs ethics line regarding same.

Mr. Edwards also voiced concerns regarding McCall's failure to disclose the lease agreement and stated that he agrees with the Board's decision to request that McCall include a statement disclosing the agreement in the annual audit and all future audits and reports. He stated he believes such disclosure would comply with McCall's ethical duties, assuming they are paying fair market value for rent, as represented.

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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