

MINUTES
HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

September 28, 2016

The Board of Directors (the "Board") of Harris County Improvement District No. 18 (the "District") met in regular session, open to the public, on the 28th day of September, 2016, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Robert T. Deden	President
Dwayne L. Mason	Vice President
Dana Benoit	Assistant Vice President
Sue Darcy	Secretary
Richard L. Rose	Assistant Secretary

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

Also present at the meeting were David Patterson of Assessments of the Southwest, Inc. ("ASW"); J.C. Reno and Chip Callegari of TNG Utility Corp. ("TNG"); Stephen Eustis of Robert W. Baird & Co.; Mark Burton of Municipal Accounts and Consulting, L.P.; Daniel Lozano and Omar Oweis of Jacobs Engineering Group Inc. ("Jacobs"); Nick Cooke of Mike Stone Associates, Inc. ("MSA"); Joanne Stein, Bill Walker and Clayton Benedict of Springwoods Realty, Inc. ("SRI"); Martin Murdock with Jones & Carter, Inc. (J&C); Darren Owen, III, Yepi Pelletier and Nick Lammayot of ExxonMobil Corporation ("ExxonMobil"); Mark McGrath of McGrath & Co., PLLC; Andrew Konyha of Clark Condon Associates; David Hall of Sullivan Brothers Builders; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board reviewed the minutes of the August 14, 2016, regular meeting. After review and discussion, Director Rose moved to approve the minutes. Director Mason seconded the motion, and it carried by unanimous vote.

REPORT ON SECURITY

The Board reviewed a report regarding security patrol for September 2016.

PUBLIC COMMENT

Mr. Hall requested that the Board consider accepting the privately owned water and sewer lines within Harper Woods as public facilities.

Mr. Owen requested that the Board consider an overall tax rate reduction.

FINANCIAL AND BOOKKEEPING MATTERS

Mr. Burton presented the bookkeeper's report and reviewed the bills presented for payment from the District's accounts, proceeds and construction deposits. Following discussion and review, Director Rose made a motion to (1) approve the bookkeeper's report; and (2) approve payment of the bills presented. The motion was seconded by Director Mason and passed unanimously. A copy of the bookkeeper's report and list of checks written is attached.

Mr. Burton next reviewed an amended budget for the fiscal year ending December 31, 2016, amending revenue and expense line items for projects completed and pending and to add capital projects to reduce balance of funds available following recent resolution of pending tax suits against the Harris County Appraisal District. Discussion ensued regarding current and future maintenance requirements and funding of future capital projects. Following review and discussion, Director Darcy moved to approve the amended budget for the fiscal year ending December 31, 2016. Director Mason seconded the motion, which passed by a vote of 3 to 1 with Director Rose opposing the motion.

Mr. Burton then reviewed a draft budget for the fiscal year ending December 31, 2017. The Board concurred to defer discussion and first consider 2016 tax rate recommendations.

2016 TAX RATE

Mr. Eustis first reviewed the 2016 tax rate recommendation from Robert W. Baird & Co. for Defined Area No. 1, a copy of which is attached. He recommended the Board adopt a debt service tax rate for 2016 of \$0.17 per \$100 of assessed valuation.

Mr. Eustis then reviewed the 2016 tax rate recommendation from Robert W. Baird & Co. for the District, a copy of which is attached. He recommended the Board adopt a debt service tax rate for 2016 of \$0.51 per \$100 of assessed valuation.

The Board then discussed setting a maintenance and operation tax rate for 2016 and cash financing capital projects in lieu of bond financing.

After review and discussion, Director Darcy moved to approve publication of notice of a public hearing to adopt a maximum tax rate of: (1) \$0.17 per \$100 of assessed valuation in Defined Area No. 1; (2) \$1.33 per \$100 of assessed valuation in the District; and (3) authorize the tax assessor/collector to provide notice of the public hearing regarding adoption of a maximum tax rate of \$1.50 per \$100 of assessed valuation to be held at the October 26, 2016, Board meeting. Director Mason seconded the motion, which passed by a vote of 3 to 1, with Director Rose opposing the motion.

The Board concurred to schedule budget and tax workshop meetings in February and August each year.

FINANCIAL AND BOOKKEEPING MATTTTERS (CONTINUED)

Discussion resumed regarding the draft budget for the fiscal year ending December 31, 2017. The budget reflects a maintenance tax of \$0.82 and capital projects to be funded from the operating account. Following review and discussion, Director Darcy moved to approve the budget for the fiscal year ending December 31, 2017. Director Mason seconded the motion, which passed by a vote of 3 to 1 with Director Rose opposing the motion.

Mr. McGrath reviewed the Developer Reimbursement Report (the "Report") from the District's 381 Agreement Funds received from Harris County Redevelopment Authority. Following review and discussion, Director Rose moved to approve the Report and authorize distribution of funds as recommended in the Report. The motion was seconded by Director Darcy and passed unanimously.

Mr. McGrath discussed preparation of the developer reimbursement report for the bond sale. Following review and discussion, Director Darcy moved to engage McGrath & Co., PLLC to prepare the developer reimbursement audit. The motion was seconded by Director Rose, and it passed by unanimous vote.

Mr. McGrath left the meeting.

TAX ASSESSMENT AND COLLECTIONS MATTERS, INCLUDING COLLECTION OF DELINQUENT TAXES

Mr. Patterson reviewed the tax assessor/collector's report. He reported on collection of the 2015 taxes, certified and uncertified values for 2016 and hotel occupancy taxes received to date. After review and discussion, Director Mason moved to (1) approve the tax assessor/collector's report; and (2) pay the bills presented for payment from the tax account. Director Rose seconded the motion, which carried unanimously. A copy of the tax assessor/collector's report is attached.

OPERATION OF DISTRICT BILLINGS, REPAIRS AND MAINTENANCE

Mr. Reno reviewed TNG's monthly operations and maintenance report, a copy of which is attached, including an update regarding water accountability, consumption totals, billing and collections, water production, compliance and a summary of operating charges for the month.

Mr. Reno next discussed an invoice in the amount of \$15,000, payable to L.N. McKean, for emergency repair of a ruptured 18 inch water main. Mr. Reno said settling appeared to cause an air release valve to sink, then causing the waterline to split. Discussion ensued regarding possible construction defects and the Board then requested that TNG and the District engineer investigate the failure further.

Mr. Reno next updated the Board regarding ongoing monthly vibration testing following previously reported vibration in Water Well No. 2 and said there is still vibration, but it is within acceptable industry standards. Mr. Lozano noted that following peak water production season, Jacobs and TNG will investigate the cause of the vibration further.

Following review and discussion, Director Rose moved to approve the operator's report. Director Darcy seconded the motion, which passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

No accounts were presented for termination.

AMEND EXHIBIT C OF RATE ORDER

The Board next considered adopting an Amended Rate Order, to specifically amend Exhibit C related to the process to obtain a utility commitment letter. Following review and discussion, upon a motion by Director Darcy and a second by Director Rose, the Board voted unanimously to amend Exhibit C of the District Rate Order, as discussed.

CONVEYANCES RELATED TO DISTRICT FACILITIES

The Board next discussed and considered accepting the following conveyances to the District:

1. Water Line Easement for Spring Stuebner Water System Interconnect;
2. Right-of-Way for Taylor Morrison drainage modification;
3. Comcast easement to serve St. Luke's Hospital; and

4. water meter easement for Springwoods Parcel 4A (CityPlace 2).

Following review and discussion, Director Rose moved to accept the instruments listed above. Director Mason seconded the motion, which passed unanimously.

The Board took no action regarding a proposed Special Warranty Deed for Spring Stuebner Detention Facility.

DEVELOPER'S REPORT

Mr. Walker reported regarding development in the District.

DISTRICT FUNDED TASK ORDERS, ADDITIONAL SERVICE AUTHORIZATIONS, PROPOSALS

The Board considered the following agreements and Ms. Humphries confirmed that disclosure compliance pursuant to House Bill 1295 was received for:

1. Termination of Professional Engineering Services Agreement with Cobb, Fendley & Associates and Task Orders;
2. Professional Engineering Services Agreement with Binkley & Barfield, Inc.;
3. Deal & Sikes proposal for appraisal of 4 tracts;
4. Professional Services Agreement with Environmental Design;
5. C. L. Davis Task Order No. 008-16-022; Water Line Easement for Spring Stuebner Water System Interconnect.
6. C. L. Davis Task Order No. 008-16-023; As-built survey for Drainage Corridor 1 - Phase II (CityPlace Park);
7. C. L. Davis Task Order No. 008-16-024; As-built survey for Water Plant No. 1 - Phase II;
8. C. L. Davis Task Order No. 008-16-025; As-built survey for 72-inch Storm Sewer Outfall;
9. C. L. Davis Task Order No. 008-16-026; Compile as-built survey for overall utilities map;
10. C. L. Davis Task Order No. 008-16-027; Nature Preserve property limit staking;
11. Office of James Burnett Task Order No. 043-16-004 ; Design Services for CityPlace Landscape Improvements - Phase II;
12. Clark Condon Task Order No. 012-16-003; Design Services for Springwoods Village Parkway Median Landscape;
13. Clark Condon Task Order No. 012-16-004; Construction Administration Services for Spring Grove Park Footbridge Crossing;

14. Clark Condon Task Order No. 012-16-005; Construction Administration Services for Spring Grove Park Enhancements;
15. Clark Condon Task Order No. 012-16-006; Construction Administration Services for Pedestrian Trails;
16. Jones & Carter Task Order No. 021-16-011; Bidding services for Water System Interconnect;
17. Jones & Carter Task Order No. 021-16-012; Construction Management Services for Spring Grove Park Footbridge Crossing;
18. Jones & Carter Task Order No. 021-16-013; Construction Management Services for Spring Grove Park Enhancements;
19. Jones & Carter Task Order No. 021-16-014; Construction Management Services for Pedestrian Trails;
20. Jones & Carter Task Order No. 021-16-015; Construction Management Services for Tree Farm Transplanting;
21. Tolunay Wong Engineers Task Order No. 046-16-013; Additional Materials Testing for Waste Water Treatment Plant Expansion – Phase II;
22. Tolunay Wong Engineers Task Order No. 046-16-014; Materials Testing for Spring Grove Park Footbridge Crossing;;
23. Tolunay Wong Engineers Task Order No. 046-16-015; Materials Testing for Spring Grove Park Enhancements;
24. Tolunay Wong Engineers Task Order No. 046-16-016; Materials Testing for Pedestrian Trails;
25. Berg Oliver Associates Task Oder No. 004-16-004; Phase I Environmental Survey for Spring Stuebner Detention Facility;
26. Binkley & Barfield, Inc. Task Order No. 63-16-001; General Electrical Distribution Engineering Services;
27. Binkley & Barfield, Inc. Task Order No. 63-16-002; Electrical Design Services for CityPlace Landscape Improvements – Phase II; and
28. L. N. McKean invoice for water repair main.

Following review and discussion, Director Mason moved to approve the above task orders, Professional Service Agreements and invoices. The motion was seconded by Director Rose and passed unanimously.

DEVELOPER FUNDED TASK ORDERS, ADDITIONAL SERVICE AUTHORIZATIONS AND PROPOSALS

The Board considered the following agreements and Ms. Humphries confirmed that disclosure compliance pursuant to House Bill 1295 was received for:

1. Tolunay-Wong Engineers Task Order No. 046-16-017; Additional Materials Testing for Spring Stuebner RRC I - Spring Stuebner Road and Holzwarth Road – Road Improvements;

2. Jones & Carter Task Order No. 021-16-016; Additional Construction Management and Inspection Services for Hardy Toll Road Traffic Signal Improvements - Phase I;
3. Jones & Carter Task Order No. 021-16-017; Additional Construction Management and Inspection Services for City Plaza Drive - Phase I;
4. Jones & Carter Task Order No. 021-16-018; Additional Construction Management and Inspection Services for Spring Stuebner RRC I - Public Utilities and Improvement for 75 Acre Tract; and
5. Office of James Burnett Task Order No. 043-16- 005; Design Services for CityPlace Park - Lower Plaza.

Following review and discussion, Director Mason moved to approve the above task orders. The motion was seconded by Director Rose and passed unanimously.

ENGINEERING MATTERS

Mr. Lozano reviewed reports regarding engineering projects in the District. Copies of engineering reports discussed are attached.

Mr. Lozano first discussed the status of design of the following project and requested authorization to advertise for bids for construction of the following:

1. Spring Grove Park Footbridge Crossing;
2. Spring Grove Park Enhancements; and
3. Pedestrian Trails.

Mr. Lozano next reported the status of the following construction projects and recommended approval of associated pay estimates, change orders, agreements and quantity contract adjustments, as listed below, and confirmed that disclosures pursuant to House Bill 1295 were received for change orders listed below:

1. Waste Water Treatment Plant - Phase II - 0.775 MGD to 1.50 MGD; (Jones & Carter/Pepper Lawson);
 - a. Pay Estimate No. 12;
 - b. Change Order No. 4 (Blower Screens, Masonry, Step Screen);
2. Water Plant No. 1 - Phase II (Jones & Carter/WW Payton);
 - a. Pay Estimate No. 5;
 - b. Quantity Contract Adjustment No. 2 (Match Field Quantities);
3. Drainage Corridor 3 - Phase II (Spring Grove Park) (Jones & Carter/LN McKean);
 - a. Pay Estimate No. 4;
4. Lift Station No. 3, Water Main & Utility Extension (Jones & Carter/Clearwater Utilities, Inc.);

- a. Pay Estimate No. 4;
5. Spring Stuebner Drainage and Detention Facility - Phase I (Jones & Carter/Reddico);
 - a. Pay Estimate No. 5;
 - b. Change Order No. 2 (Fire Hydrant Modifications);
 - c. Quantity Contract Adjustment No. 2 (Match Field Quantities);
6. City Plaza Drive - Phase I (Jones & Carter/Texas Sterling);
 - a. Pay Estimate No. 10 & Final;
7. Spring Stuebner RRC - I - Public Utilities and Improvements for 75 Acre Tract (Jones & Carter/Clearwater Utilities);
 - a. Pay Estimate No. 1;
 - b. Change Order No. 1 (Time Extension);
 - c. Quantity Contract Adjustment No. 1 (Match Field Quantities);
8. Spring Stuebner RRC - I - Spring Steubner Road and Holzwarth Road Improvements (Jones & Carter/Lexton Construction);
 - a. Pay Estimate No. 1;
 - b. Pay Estimate No. 2;
 - c. Change Order No. 1 (Additional Reinforcement);
 - d. Quantity Contract Adjustment No. 1 (Match Field Quantities); and
 - e. Pay Estimate No. 3.

Mr. Lozano discussed capacity commitment requests received and recommended capacity commitment to:

1. CityPlace 2; and
2. Springwoods Village Hotel.

Following discussion and review and based upon recommendation from the engineers, Director Darcy moved to (1) approve the engineering report from Jacobs; (2) authorize advertisement of the projects listed above; (3) approve pay estimates, change orders and contract quantity adjustments listed above; and (4) approve the capacity commitments listed above. Director Mason seconded the motion which passed unanimously.

Discussion continued regarding Mr. Hall's request that the District accept private water and sewer lines serving the Harper Woods subdivision as public facilities. Following discussion, the Board concurred to authorize the District operator and engineer investigate the plans for methods of construction of these lines to ensure they meet City of Houston and Harris County standards and then, if appropriate, to work with representatives of the Harper Woods Homeowner's Association to determine the steps necessary to accept lines in Harper Woods as public facilities.

PRELIMINARY OFFICIAL STATEMENT AND NOTICE OF SALE, APPOINT PAYING AGENT/REGISTRAR, AUTHORIZE ADVERTISEMENT FOR SALE OF THE SERIES 2016 UNLIMITED TAX BONDS AND SCHEDULE BOND SALE

Mr. Eustis reviewed the Preliminary Official Statement and Notice of Sale for the District's Series 2016 Bonds. The Board considered appointing Amegy Bank, a division of Zion Bank, National Association as the paying agent/registrar of the bonds and reviewed a schedule for the bond sale. Following review and discussion, Director Rose moved to: (1) approve the Preliminary Official Statement and Notice of Sale and direct that the documents be filed appropriately and retained in the District's official records; (2) appoint Amegy Bank, a division of Zion Bank, National Association as the paying agent/registrar; and (3) schedule the bond sale for October 26, 2016. The motion was seconded by Director Mason and it passed by unanimous vote.

MANAGEMENT REPORT

Mr. Cooke reviewed a management report from MSA, a copy of which is attached to these minutes, and presented for Board approval the following Service Agreements and proposals for attachment to previously approved service and professional service agreements:

1. Services Agreement with Texas Sterling Construction, including a proposal in the amount of \$2,853 for repair to damaged curb and to install pavement marking buttons on Springwoods Place;
2. Services Agreement with High Sierra Electronics, including a proposal in the amount of \$9,412.25 for restorations and repairs to water level monitoring tower at West Detention, including materials, installation and programming;
3. Proposal from Environmental Designs in the amount of \$109,375.08 for tree farm replanting; and
4. Proposal from Environmental Designs in the amount of \$87,500 for tree farm replanting.

Following review and discussion, upon a motion by Director Mason and a second by Director Rose, the Board voted unanimously to approve the management report and the agreements and proposals listed above.

ATTORNEY'S REPORT

The Board concurred to meet on Wednesday, November 30, 2016 and Wednesday, December 21, 2015 for the 2016 holiday season.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

At 1:21 p.m. the Board, convened in Executive Session, along with representatives from ABHR, to conduct a private consultation with the District's attorney to discuss the status of the Hassell Construction matter. Director Rose left the meeting before and was not present during the Executive Session.


RECONVENE IN OPEN SESSION

At 1:24 p.m. the Board reconvened in open session. There was no action taken following Executive Session.

EXECUTIVE SESSION PURSUANT TO SECTION 551.076

The Board determined it was not necessary to convene in Executive Session pursuant to Section 551.076.

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



Secretary, Board of Directors



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Bookkeeper's report.....	2
2016 tax rate recommendation	2
Tax assessor/collector's report	3
Operator's report.....	4
Engineering reports from Jacobs	7