

MINUTES
HARRIS COUNTY IMPROVEMENT DISTRICT NO. 18

October 23, 2019

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 23rd day of October, 2019, 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
Craig Doyal	Assistant Vice President
Sue Darcy	Secretary
Richard L. Rose	Assistant Secretary

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

Also present at the meeting were Captain Ronnie Glaze of Montgomery County Constable's Office, Precinct 3; Joe Agrella, Caryn Haley and Dawn Schuette, District residents; Jan Bartholomew of Robert W. Baird & Co. Incorporated; Rhonda Patterson of Assessments of the Southwest, Inc. ("ASW"); Nick Lammayot of ExxonMobil Corporation ("ExxonMobil"); Phillip Dautrich and Mario Garcia of TNG Utility Corp. ("TNG"); Darrell Hawthorne of Municipal Accounts and Consulting, L.P.; Daniel Lozano of Halff Associates, Inc. ("Halff"); Nick Cooke and Mason Brauchle of Mike Stone Associates, Inc. ("MSA"); Joanne Willenbacher and Bill Walker of Springwoods Realty, Inc. ("SRI"); Alisha Wade of Ward Communications; and Lynne Humphries and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

REPORT ON SECURITY

Captain Glaze discussed security in the District and reviewed a written patrol report, a copy of which is attached.

PUBLIC COMMENT

Ms. Haley commented regarding drainage issues in Audubon Grove and requested District support to address maintenance issues within recreational reserves in Audubon Grove, including maintenance of multiple pedestrian bridges.

Mr. Agrella commented that the Audubon Grove Homeowner's Association ("HOA") is unable to adequately fund maintenance of the areas required in the

District's Maintenance Agreement with the HOA, including the pedestrian bridges, without collecting a special assessment. He requested that the District assist the HOA with maintenance costs either by sharing the cost of maintenance or lowering taxes.

There were no other persons who wished to make public comments.

CONSENT AGENDA

Director Deden offered Board members the opportunity to remove the item from the consent agenda for individual discussion. Director Rose moved to approve the item on the consent agenda. Director Darcy seconded the motion, which passed by a vote of 4 to 0, with Director Mason being absent at the time of voting. Copies of the document approved as part of the consent agenda is attached.

ITEMS REMOVED FROM CONSENT AGENDA

The Board took no action.

TAX ASSESSMENT AND COLLECTIONS MATTERS, INCLUDING COLLECTION OF DELINQUENT TAXES

Ms. Patterson reviewed the tax assessor/collector's report. After review and discussion, Director Rose moved to: (1) approve the tax assessor/collector's report; and (2) pay the bills presented for payment from the tax account. Director Darcy seconded the motion, which passed by a vote of 4 to 0, with Director Mason being absent at the time of voting. A copy of the tax assessor/collector's report is attached.

Director Mason joined the meeting.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES AND AMENDMENT TO INFORMATION FORM

Director Deden opened the public hearing on the District's proposed tax levy. Ms. Patterson confirmed that notice of the proposed levy had been published. The Board reviewed the history of the tax rate and the significant reduction last year and this year.

Mr. Agrella requested that the Board lower taxes.

There being no further comments from the public, Director Deden closed the public hearing and the Board considered adoption of an Order Levying Taxes, reflecting a tax rate of \$0.995 per \$100 valuation consisting of (1) \$0.26 per \$100 of assessed valuation in Defined Area No. 1; and (2) \$0.735 per \$100 of assessed valuation in the District, consisting of \$0.45 for debt service and \$0.285 for operations and

maintenance. The Board confirmed its intention that the 2019 District tax levy includes a maintenance tax for the fiscal year ending December 31, 2020 and a debt service component for the District for the fiscal year ending December 31, 2020. Upon a motion made by Director Darcy and seconded by Director Doyal, the Board adopted the Order Levying Taxes by a vote of 4 to 1, with Director Rose voting against the motion.

Ms. Humphries presented and reviewed the District's proposed Amendment to Information Form to reflect the District's 2019 tax rate. After review and discussion, Director Darcy moved to approve the Amendment to Information Form and file it with the Texas Commission on Environmental Quality ("TCEQ") and in the Harris County Deed Records. Director Doyal seconded the motion, which passed by a vote of 4 to 1, with Director Rose voting against the motion.

Director Darcy commented regarding the impact of the volatility of high percentage of commercial property in the District, the range of potential impact on the District's taxable value due to continuing property value protests resulting in reduced property values and the current lack of understanding the overall impact of Texas Senate Bill 2 on the District's future overall operational budget.

FINANCIAL AND BOOKKEEPING MATTERS

Mr. Hawthorne reviewed the bookkeeper's report, copy of which is attached, and reviewed the bills presented for payment from the District's accounts.

Ms. Humphries discussed a requirement to annually review the District's Investment Policy to comply with The Public Funds Investment Act, Chapter 2256, and Government Code. Ms. Humphries said neither ABHR, the District bookkeeper nor the District auditor is recommending any changes at this time. She then reviewed a Resolution Regarding Annual Review of the Investment Policy reflecting no changes.

Ms. Humphries next discussed a requirement of the Public Funds Investment Act, Chapter 2256, Government Code, to annually review, revise and adopt a list of qualified broker/dealers with whom the District may engage in investment transactions. She added that the bookkeeper has provided an updated list. She reviewed a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

Following discussion and review, Director Rose made a motion to (1) approve the bookkeeper's report; (2) approve payment of the bills presented; (3) approve the Resolution Regarding Annual Review of the Investment Policy; and (4) approve the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions. The motion was seconded by Director Mason and passed unanimously.

OPERATION OF DISTRICT BILLINGS, REPAIRS AND MAINTENANCE

Mr. Dautrich reviewed TNG's monthly operations and maintenance report, a copy of which is attached, and reviewed a summary of operating charges for the month. Mr. Garcia updated the Board regarding water accountability, consumption totals, billing and collections, water production, compliance schedules, facility repairs in progress and permitting. Discussion ensued regarding reduction of irrigation use in esplanades in 2020. Mr. Garcia reported that installation of smart meters is complete and reviewed a door tag that will be placed on the District website and customer doors explaining how to create an account and access water usage data for the customer's individual account. Following review and discussion, Director Darcy moved to approve the operator's report. Director Mason seconded the motion, which passed unanimously.

TERMINATION OF WATER AND SEWER SERVICE TO DELINQUENT CUSTOMERS

No accounts were presented for termination.

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. C.L. Davis Task Order No. 008-19-020; Energy Drive Extension Sec 1 - from Crossington Way to north right-of-way line of Grand Parkway; and
2. C. L. Davis Task Order No. 008-19-021; Energy Drive Extension Sec 2 - from south right-of-way line of Grand Parkway to East Montgomery Road.

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

DEEDS AND EASEMENTS, INCLUDING SPRINGWOODS VILLAGE PARKWAY CONSERVATION EASEMENT MODIFICATIONS

The Board considered and reviewed documents for the following conveyances:

1. Maintenance Declaration for Springwoods Village Parkway, Phase IV; and
2. Waterline easement (3,783 square feet).

Following review and discussion, Director Doyal moved to (1) approve the conveyances listed above; and (2) authorize the Board President and Secretary to execute any necessary documents to complete the conveyances. Director Rose seconded the motion which passed unanimously.

ENGINEERING MATTERS

Mr. Lozano reviewed a report regarding engineering projects in the District. A copy of the engineering report is attached.

Mr. Lozano reported the status of the following construction projects and recommended approval of associated pay estimates listed below:

1. CityPlace Landscape Improvements – Phase III and CityPlace Park Pond 4 Detention (Jones & Carter/MoBill Contractors);
 - a. Pay Estimate No. 3; and
 - b. Change Order No. 1 (Colored Concrete and Hydroexcavate Foundation).

Upon the recommendation of the District engineer, the Board determined that Change Order No. 1 is beneficial to the District.

Discussion ensued regarding drainage design and construction errors in Audubon Grove and efforts of the District to require Taylor Morrison to fix the drainage per the drainage plans submitted with the plans.

Following discussion and review, and based upon recommendation from the District engineer and J&C, Director Doyal moved to (1) approve the engineering report from Halff; (2) approve the pay estimate listed above; and (3) approve Change Order No. 1 in the amount of \$10,293.70 as an increase to the contract with Mobill Contractors, based upon the Board's finding that the Change Order is beneficial to the District and the engineer's recommendation. Director Mason seconded the motion, which passed by unanimous vote.

MANAGEMENT REPORT

Mr. Cooke reviewed a management report from MSA, a copy of which is attached. Mr. Cooke also reviewed an application for use of Hotel Tax Occupancy Tax Funds from CityPlace Property Owners Association, including an Event Expenditure Budget and Worksheet for a 2-day holiday market. Following review and discussion, Director Darcy moved to (1) approve the management report; and (2) upon the recommendation of MSA, authorize funding of the CityPlace Holiday Market and approve associated budgets and expenditures. The motion was seconded by Director Mason and passed unanimously.

SERIES 2019 DEFINED AREA NO. 1 UNLIMITED TAX ROAD BONDS

The Board considered selecting an attorney to provide disclosure counsel legal services for the District in connection with the issuance of the District's bonds. The Board reviewed a proposed contract submitted by Orrick, Herrington & Sutcliffe LLP ("Orrick") to serve as disclosure counsel for the District. Ms. Humphries discussed requirements related to contracts for disclosure counsel legal services by the District. The Board reviewed the public notice that was provided regarding consideration of MPH's contract for tonight's meeting, pursuant to Section 2254.1036, Texas Government Code. Ms. Humphries presented a written Resolution Regarding Approval of Legal Services Contract (the "Resolution"). After review and consideration of matters related thereto, including the matters listed in Section 2254.1036(a)(1), Texas Government Code, Director Doyal moved to (1) adopt the Resolution reflecting: (i) approval of the public notice provided pursuant to Section 2254.1036, Texas Government Code; (ii) adoption of the findings and determinations provided in the public notice as the findings and determinations of the Board; (iii) the Board's findings that the contents of the public notice and the timing and manner of the provision of the notice are in full compliance with Subchapter C, Chapter 2254, Texas Government Code; (iv) the Board's finding that Orrick is a well-qualified law firm on the basis of demonstrated competence, qualifications, and experience; and (v) approval of the contract with Orrick for disclosure counsel legal services; and (2) direct that the Resolution and the contract be filed appropriately and retained in the District's official records. Director Rose seconded the motion which passed by unanimous vote.

Ms. Bartholomew reviewed bids received for the sale of the District's \$8,520,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2019, and stated that the low bidder was Morgan Stanley & Co, LLC with a net effective interest rate of 2.948886%.

Ms. Humphries reviewed a Resolution Authorizing the Issuance of the District's \$8,520,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2019.

Ms. Humphries then reviewed a Paying Agent/Registrar Agreement.

The Board next considered approving an Official Statement for the District's \$8,520,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2019. Ms. Bartholomew reported that the Preliminary Official Statement previously approved will be updated to reflect pricing information on the bonds.

Ms. Humphries reviewed various documents relating to the bond sale and asked the Board to authorize the attorney and the financial advisor to take all necessary steps to deliver the bonds to the purchaser.

The Board next reviewed a Certificate Regarding Provision of Financial Advice confirming that the Board has relied solely upon the advice of Robert W. Baird & Co. concerning the issuance of the Bonds and investments of proceeds of the Bonds.

Following review and discussion, Director Doyal moved that the Board (1) award the sale of the District's \$8,520,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2019 to Morgan Stanley & Co., LLC; (2) adopt a Resolution Authorizing the Issuance of the District's \$8,520,000 Defined Area No. 1 Unlimited Tax Bonds, Series 2019; (3) authorize execution of the Paying Agent/Registrar Agreement with Zions Bancorporation; (4) approve the Official Statement; (5) authorize the Board of Directors to sign the bond documents and authorize the attorney and financial advisor to take all necessary steps to deliver the bonds to the purchaser; and (6) approve the Certificate Regarding Provision of Financial Advice. Director Rose seconded the motion, which passed unanimously.

EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE

The Board determined it was not necessary to convene in executive session.

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


Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes <u>Page</u>
tax assessor/collector's report	2
bookkeeper's report.....	3
operations and maintenance report	4
engineering reports from Jacobs.....	5
management report from MSA.....	5
various documents relating to the bond sales	6