

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 18, 2016

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 55

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 55 (the "District") met in regular session, open to the public, at 2300 Pilgrims Point, Webster, Texas, on Tuesday, October 18, 2016, whereupon the roll was called of the members of the Board, to-wit:

Robert L. Squires, President
Sam Longoria, Vice President
Gabriel Mendez, Secretary
Richard Klenk, Treasurer
Malcolm Swinney, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were Ms. Melissa Meyer and Ms. Melinda Salazar of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Chris Wilson of Si Environmental ("Si"), operators for the District; Ms. Vickey Sullivan of Equi-Tax, Inc., tax assessor and collector for the District; Mr. David Ferrier and Ms. Kandy Pfeffer of ETI Accounting Services ("ETI"), bookkeeper for the District; Mr. Tom Hoff of the Forest Bend Fire Department; Mr. Bart Schindler of Schindler's Lawn Care; Mr. Tom Dillard and Ms. Stacey Wagner of Champions Hydro-Lawn, Inc. ("Champions"); and Mr. Neil Thomas and Ms. Shaila Shah of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District.

The meeting was called to order in accordance with notice posted pursuant to law, copies of the Certificates of Posting of which are attached hereto as Exhibit A, and the following business was transacted:

1. Public Hearing on 2016 Tax Rate. The President opened the hearing on the proposed 2016 tax rate. There were no comments on the tax rate from the public. The President closed the hearing.

2. Adopt Order Setting Tax Rate and Levying Tax for 2016. The Board reviewed the Order Setting Tax Rate and Levying Tax for 2016, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Longoria, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2016, thereby levying a tax at a rate of \$0.40 per \$100 assessed valuation (\$0.40 for debt service and \$0.00 for operations and maintenance).

3. Minutes. The Board considered the minutes of the meetings of September 6, 2016, September 13, 2016, and September 20, 2016, copies of which were previously distributed to the Board. Upon motion by Director Klenk, seconded by Director Mendez, after full

discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of September 6, 2016, September 13, 2016, and September 20, 2016, as presented.

4. Forest Bend Fire Department Report. Mr. Hoff presented to and reviewed the Forest Bend Fire Department report for September 2016 with the Board. Mr. Hoff reported on the Department expenses, income, and operations.

5. Clear Lake Emergency Medical Corps Report (“CLEMC”). President Squires stated that the CLEMC Board of Directors terminated their current billing and collections company and selected a new company. Director Swinney stated that CLEMC is currently negotiating a contract with the new billing and collections company.

President Squires stated that there is a new President of the CLEMC Board of Directors, who also serves on the City Council of Seabrook. Director Swinney thanked President Squires for his time and dedication as President of the CLEMC Board of Directors.

6. Tax Assessor and Collector’s Report. Ms. Sullivan presented to and reviewed with the Board the Tax Assessor and Collector’s Report for September 2016, a copy of which is attached hereto as Exhibit C. Ms. Sullivan reported that as of September 30, 2016, the District had collected 99.1% of its 2015 taxes.

Upon motion by Director Mendez, seconded by Director Swinney after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector’s Report, and to approve the execution of the checks presented for approval.

7. Report by Delinquent Tax Attorney. Ms. Sullivan presented to and reviewed with the Board the Delinquent Tax Report, a copy of which is attached hereto as Exhibit D. The Board discussed the action the Delinquent Attorney should take to collect payments. *Upon* motion by Director Mendez, seconded by Director Klenk, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Delinquent Tax Attorney to send notices to the delinquent taxpayers stating that the water services will be disconnected for non-payment of delinquent taxes unless payment arrangements are made with the delinquent tax attorney.

8. Bookkeeper’s Report and Investment Report. Mr. Ferrier presented to and reviewed with the Board the Bookkeeper’s Report for September 30, 2016, the Budget for fiscal year ending December 31, 2016, the 2016 Energy Usage Report, and the Investment Report, copies of which are attached hereto as Exhibit E.

Mr. Ferrier presented to and reviewed with the Board the first draft of the budget for fiscal year ending December 31, 2017, a copy of which is attached to the Bookkeeper’s Report.

Upon motion by Director Klenk, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and the Investment Report, and to approve execution of the checks presented for approval. The Board agreed to hold a special meeting for review and approval of the budget.

9. Operations Report, Including Review and Approval of Maintenance Items and Delinquent Report. Mr. Wilson presented to and reviewed with the Board the Operations Report and Maintenance Report for the month of September 2016, a copy of which is attached hereto as Exhibit F.

Mr. Wilson reported on September repairs and maintenance for the water system, sanitary sewers, lift stations, and the water plant.

Mr. Wilson requested approval to replace lift pump #2 at the Blue Mesa Lift Station at a cost of \$8,715. Upon motion by Director Swinney, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Si to replace life pump #2 at a cost of \$8,715.

Mr. Wilson reported that the District pumped 19,618,000 gallons of water and purchased 22,504,000 gallons of water from the Southeast Water Plant during the last period, and noted that Si accounted for 91.95% of the water pumped and purchased by the District.

Mr. Wilson reported that 176 delinquent letters were mailed out to residents. Upon motion by Director Swinney, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Si to execute the termination list in accordance with the rate order.

Upon motion by Director Swinney, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Operator's Report.

10. Engineer's Report. Ms. Meyer presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit G, and which follows in substantially the form it was presented:

a. Commercial Reviews: BGE received the final plans for the Rex Road Business Park on May 17, 2016, and all Agency approvals have been received. There is no construction schedule at this time, but BGE will notify the Board once construction permits are pulled. Ms. Meyer stated that the building is currently being designed.

Mr. Ho requested 19 water connections and 16 sanitary connections for the Ellis Business Park. The developer is coordinating with Harris County Flood Control to revise plans. BGE has confirmed that the Ellis Business Park can tie into the 8-

inch Alysheba line. Ms. Meyer stated that they should provide a water line easement along Rex Road for a future 12-Inch water line.

BGE is coordinating with Brandon Guillory at Kimley Horn regarding the Tracts at El Dorado and Friendswood Link Road. There are 78 sanitary sewer connections available for this tract, which equates to 24,570 gpd at 315 gpd/ESFC. Kimley Horn is interested in developing a gas station, a storage facility, and an apartment complex. Ms. Meyer stated that Kimley Horn has requested a feasibility study to determine current water and sanitary capacity, and to determine what upgrades to the District facilities are required for them to move forward with their apartment plans. BGE is recommending a deposit of \$20,000 to begin the feasibility study. Ms. Meyer stated that Kimley Horn has also requested 112 water connections, which the District currently has available. Ms. Meyer stated that before moving forward, Kimley Horn is attempting to secure the sanitary sewer capacity transfer from the City of Houston. Ms. Meyer stated that there is no update this month.

Ms. Meyer stated that BGE received a request from a Mr. Dale Reaume at IE Group regarding existing plans for one of the tracts at El Dorado. Ms. Meyer stated that he was looking at a design for a fuel station for the tract north of Beacon's View.

Ms. Meyer stated that the District has offered to purchase an additional 286 sewer connections from the City of Houston for \$456,679.60. Ms. Meyer stated that a change of use application was prepared for the TCEQ, which will use the funds from the Water Line Loops (\$384,934) and a portion of the Control Building (\$71,745.60) to pay for this capacity. Ms. Meyer stated that the application to TCEQ will be submitted upon receipt of a signed agreement from the City of Houston. Mr. Thomas stated that he has not received any updates from the legal department.

BGE received a request for capacity from Mr. Moshe Allon regarding retail development at 3366 FM 528. They requested 955 gallons per day of water and sanitary sewer capacity, which equates to three sanitary and three water single family equivalent connections. BGE received a set of their utility plans on June 21, 2016. Ms. Meyer stated that BGE reviewed the plans and returned comments. Ms. Meyer stated that there are no updates this month.

BGE received a request for water capacity for a property at Rex Road and Beamer Road. The owners requested 5,000 gallons of water per month, which equates to one connection. Ms. Meyer stated that BGE notified them that they will need to be annexed into the District for water service. Ms. Meyer reported that there are no updates this month.

b. Beamer Villas: Ms. Meyer stated that Mr. Thint is working with Harris County to address their comments, and BGE is coordinating with him regarding a

new preliminary and final plat submittal. Ms. Meyer stated that BGE has requested a \$5,000 deposit for review costs.

Ms. Meyer stated that BGE has updated Agency signatures for the Beamer Villas lift station, and the plans will expire on October 23, 2016.

Ms. Meyer stated that BGE has received Agency approvals for the storm water pump station, and the plans will expire on June 5, 2017.

c. Ongoing Projects:

1. Signal Hill Lift Station Rehabilitation: Ms. Meyer stated that BGE issued the Notice to Proceed on October 10, 2016. Ms. Meyer stated that the contractor is working on the road crossings for the by-pass and plan to mobilize the week of October 23, 2016.

2. Ms. Meyer reported on the Surplus Funds Application to use the \$106,456.47 designated as surplus funds for a portion of the engineering fees for the 42" surface water line with the City of Houston. Ms. Meyer stated that BGE is waiting on further information regarding costs from the City of Houston.

3. Ms. Meyer reported that BGE received two bids for the manhole rehabilitation and replacement. Ms. Meyer stated that BGE recommends awarding the bid to T. Gray Construction in the amount of \$77,280. Upon motion by Director Longoria, seconded by Director Swinney, after full discussion and the question being put to the Board, the Board voted unanimously to award the bid to T. Gray Construction in the amount of \$77,280.

A notification letter was sent to the TCEQ notifying it of the use of surplus funds on May 18, 2016.

4. Ms. Meyer stated that the hydroneumatic tank and the 840,000 gallon ground storage tank are due for annual inspections required by the TCEQ. BGE will wait until the fall to conduct the inspections, due to peak summer demand.

5. Ms. Meyer stated that BGE awarded the contract for the remote water well coating to T&G Services, and held a preconstruction meeting the week of September 19, 2016. Ms. Meyer stated that BGE issued a notice to proceed on Monday, September 26, 2016. Ms. Meyer stated that the contractor has finished the majority of the coating.

6. Ms. Meyer stated that a notification letter was sent to TCEQ notifying it of its use of Surplus Funds for the purchase of the new pumps

at Signal Hill Lift Station. Ms. Meyer stated that the Blue Mesa and St. Lawrence Lift Station pumps can be paid out of bond funds with no additional notice or approval.

d. GCA Updates:

1. AFE 1900692: Ms. Meyer stated that the bids for the Clarifier were higher than expected, and that the District expects to receive an invoice for their share, along with an adjustment in the legal fees. Ms. Meyer reviewed the summary and bid tab with the Board, copies of which are attached to the Engineer's Report. Ms. Meyer stated that the District's portion of the bids will be \$52,640, which includes the credits for legal costs and items not used. Ms. Meyer stated that BGE prepared a letter to the TCEQ for notification of payment, which was sent on August 16, 2016.

2. AFE 1900692: Ms. Meyer stated that the Blackhawk Waste Water Treatment Plant had an audit report for the Headworks Project, and the District's additional share is \$5,540. Ms. Meyer stated that a notification letter was sent to the TCEQ on August 16, 2016.

e. Ms. Meyer stated that Ellis Business Park will address the drainage from outside the District coming onto Alysheba and Affirmation Lane. Ms. Meyer stated that she contacted the maintenance department at Harris County Precinct No. 1 regarding the status. Ms. Meyer stated that they are coordinating with the engineering and drainage department.

f. Ms. Meyer stated that Harris County is planning to replace the concrete on West Bay Area Blvd from FM 528 to Pilgrims Point. Ms. Meyer stated that the project has been awarded to Mar-Con and that BGE is coordinating with Mar-Con regarding the construction schedule. They anticipate beginning construction in November.

g. Ms. Meyer requested Board authorization to inspect the air release valves in the District at a cost not to exceed \$1,500. Upon motion by Director Swinney, seconded by Director Klenk, after full discussion and the question being put to the Board, the Board voted unanimously to authorize BGE to inspect the air release valves in the District at a cost not to exceed \$1,500.

Upon Motion by Director Klenk, seconded by Director Mendez, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

11. Park and Recreational Facility Report. Ms. Wagner presented to and reviewed with the Board the Park and Recreational Facility Report, a copy of which is attached hereto as Exhibit H. Ms. Wagner reported there are currently no issues to report.

Ms. Wagner stated that Champions will complete the overseeding and fertilization of the channels by the end of October.

Ms. Wagner stated that the October maintenance is complete.

Ms. Wagner stated that the “No Fishing” signs were removed two weeks ago. Ms. Wagner presented to and reviewed with the Board options for new signage, a copy of which is attached to the Park and Recreational Facility Report. Discussion ensued regarding the options and the cost. The Board agreed that the signs should not exceed \$1,500 per sign. The Board requested that Ms. Wagner present a proposal at the November meeting for signage.

Ms. Wagner presented to and reviewed with the Board a proposal for the Heritage Amenity Park Access Sidewalk, a copy of which is attached hereto as Exhibit I. Discussion ensued regarding the location of the sidewalk and the scope of the work. The Board agreed not to take any action at this time on the proposal.

Director Klenk stated that he will present a proposal at the November meeting for the irrigation and the trees. Discussion ensued regarding the trees and the cost of the project.

12. Sewage Treatment Plant Operations Report. President Squires stated that Gulf Coast is working on the third clarifier and that there is nothing new to report.

13. Southeast Water Plant Report. President Squires reported that the Deputy Director in the Public Works Department resigned. President Squires presented to and reviewed with the Board the Southeast Water Plant Operating Advisory Report, a copy of which is attached hereto as Exhibit J. President Squires stated that the revised minutes from November 2015 and August 2016 were approved, and the minutes from July and September 2016 were approved.

President Squires stated that the budget mediation did not solve the issues and that the offer presented by the co participants was rejected by the City of Houston.

President Squires reported that the budget for fiscal year ending 2017 reflected an increase in the water rates. Discussion ensued regarding payment of the water bill with the increase. Upon motion by Director Klenk, seconded by Director Swinney, after full discussion and the question being put to the Board, the Board voted unanimously to continue to pay the entire water bill.

President Squires stated that the City is preparing a request for proposals for a turn-key contract with the contractor providing all services and supplies, which will be presented the week of December 12, 2016.

14. Discuss Maintenance of District Facilities. Director Squires stated that there is a new mail box post.

The Board discussed the new chairs that were approved for the meeting room.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, THE MEETING WAS ADJOURNED.

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The above and foregoing minutes were passed and approved by the Board of Directors on November 15, 2016.

President, Board of Directors

ATTEST:

Secretary, Board of Directors