

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 20, 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, December 20, 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. Keli Schroeder and Mr. Norman Gaez 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; Ms. Stacey Wagner of Champions Hydro-Lawn, Inc. (“Champions”); Ms. Geri Squires, resident of the District; Mr. R.E. Smith of Ellis Business Park; and Mr. Reginald Wilson, 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. Minutes. The Board considered the minutes of the meetings of November 15, 2016, copies of which were previously distributed to the Board. Upon motion by Director Swinney, seconded by Director Longoria, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of November 15, 2016, as presented.

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

Director Mendez entered the meeting at this time.

3. Clear Lake Emergency Medical Corps Report (“CLEMC”). President Squires stated that there is nothing new to report. Director Swinney stated that they are currently working on the budget.

4. Review filing of Eminent Domain Report. Mr. Wilson reviewed with the Board the required filing of the Eminent Domain Annual Report to the Comptroller of Public Accounts.

5. Approve Harris County Sheriff Contract for 2017. President Squires stated that there were no changes to the contract. Discussion ensued regarding the hourly rate and the monthly reports provided by the Sheriff’s office. 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 approve the Harris County Sheriff contract for 2017.

6. Tax Assessor and Collector’s Report. Ms. Sullivan presented to and reviewed with the Board the Tax Assessor and Collector’s Report for November 2016, a copy of which is attached hereto as Exhibit B. Ms. Sullivan reported that as of November 30, 2016, the District had collected 6.2% of taxes for 2016.

Ms. Sullivan reviewed the SPA Report with the Board, a copy of which is attached hereto as Exhibit C.

Upon motion by Director Longoria, seconded by Director Klenk, 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. Bookkeeper’s Report and Investment Report. Ms. Pfeffer presented to and reviewed with the Board the Bookkeeper’s Report for November 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 D.

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 accept the Bookkeeper’s Report and the Investment Report, and to approve execution of the checks presented for approval.

8. 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 November 2016, a copy of which is attached hereto as Exhibit E.

Mr. Wilson stated that the lift pumps at Lift Station No. 1 have been installed and are performing well.

Mr. Wilson stated that the lift pumps at Lift Station No. 2 have had long runtimes. Mr. Wilson stated that the vendor will resize and replace the lift pumps.

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

Mr. Wilson reported that the District purchased 42,429,000 gallons of water from the Southeast Water Plant during the last period, and noted that Si accounted for 88.23% of the water pumped and purchased by the District.

Mr. Wilson reported that 200 delinquent letters were mailed out to residents. Upon motion by President Squires, seconded by Director Swinney, 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 after January 1, 2017.

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.

9. Engineer's Report. Mr. Gaez presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit F, and which follows in substantially the form it was presented:

a. Commercial Reviews:

1. Twenty-Second Annexation (Ellis Business Park/R.E. Smith Tract): Mr. Gaez stated that BGE has requested the developer to install a portion of the 12" waterline along Beamer Road for the future water line loop. Mr. Gaez recognized Mr. Smith, who stated that the water line runs along Beamer Road and that he will act as the Board requests. Ms. Schroeder stated that the water line loop will need to be built. Discussion ensued regarding the options of when to build it. Ms. Schroeder suggested a letter of credit with the estimated cost of engineering and construction costs.

Mr. Smith discussed the waterline easements with the Board, stating that they need to be approved in order to obtain Harris County approval. 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 approve the water line easements, subject to attorney review.

Commercial Tract Offsite Drainage to Affirmed Way and Alysheba Ln – Mr. Gaez stated that BGE will coordinate with Si for periodic monitoring of the channel flow after rain events.

Mr. Gaez reported that plan approval is pending for the requested 19 water connections and 16 sanitary connections for Ellis Business Park.

2. Tracts at El Dorado and Friendswood Link Road: Mr. Gaez stated that there are no updates and that Kimley Horn is trying to secure the utility capacity letter from the City of Houston before moving forward.

Mr. Gaez reported that Mr. Andrew Gonzalez with Infinity Engineering Group has requested utility information for the tract at the south corner of El Dorado Blvd. and Signal Hill Drive. Mr. Gaez stated that he explained the process for acquiring capacity to Mr. Gonzalez.

3. 3366 FM 528 Retail Development Capacity Request: Mr. Gaez stated that BGE was contacted by Mr. Baxter Poteet with Poteet Design Associates informing them that they will be in charge of the development. Mr. Gaez stated that they requested an update on the approval of the plans. Mr. Gaez stated that BGE submitted the original comments to Mr. Baxter on November 29, 2016.

b. Beamer Villas: Mr. Gaez stated that there are no new updates.

c. City Of Houston WWTP Capacity – Mr. Gaez stated that BGE is waiting for the City of Houston to finalize the agreement to purchase additional sanitary sewer capacity (286 connections) for \$456,679.60. BGE has prepared the change-of-use application and will submit it to the TCEQ upon receipt of a signed sales agreement from the City of Houston.

d. BGE Authorized Projects

1. Signal Hill Lift Station Rehabilitation: Mr. Gaez stated that the coating of the wet well interior is complete and a final inspection will be scheduled for next month. Mr. Gaez stated that the cleaning of the wet well revealed that the condition of the walls was inadequate for application of the specified coating due to excessive pitting and deterioration of the concrete. Per the contract documents, BGE worked with the contractor to determine the extent of the required application of cementitious grout to seal the cavities and allow for proper adhesion of the protective liner. Mr. Gaez stated that, in an effort to deter extra expenses for bypass pumping, BGE contacted Mr. Thomas for advice on authorizing the additional work and then discussed the situation with President Squires. Mr. Gaez presented Change Order No. 1 in the amount of \$22,000 for costs associated with the application of cementitious grout and \$1,143.22 for costs associated with the replacement of faulty valves. Mr. Gaez stated that the increase in bypass pumping charges for the application of the grout will be reflected on a future pay estimate. 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 approve Change Order No. 1 in the amount of \$23,143.22.

2. City of Houston 36" Waterline Repair / Surplus Funds Application (\$106,456.47): Mr. Gaez stated that there are no updates.

3. Sanitary Sewer Manhole Rehabilitation and Replacement: Mr. Gaez stated that a pre-construction meeting will be held in January 2017 with T. Gray Utility & Rehab Co., LLC. Mr. Gaez stated that proposals were received for materials testing and that BGE recommends award of the contract to Tolunay-Wong Engineers in the amount of \$2,692. Upon motion by Director Mendez, seconded by Director Longoria, after full discussion and the question being put to the Board, the Board voted unanimously to award the materials testing contract to Tolunay-Wong Engineers in the amount of \$2,692.

4. Tank Inspections – Mr. Gaez stated that BGE will coordinate the coating inspection of the 840,000 gallon ground storage tank (GST) and the 20,000 gallon hydropneumatic tank (HPT) inspection with Si.

Mr. Gaez stated that the 210,000 gallon bolted ground storage tank is due for external coating inspection and cathodic protection inspection. Mr. Gaez stated that the 500,000 gallon elevated storage tank is also due for inspection. 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 BGE to approve the tank inspections.

5. Remote Water Well Coating: Mr. Gaez stated that the final inspection was held on November 21, 2016 and that the project is complete. 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 approve Pay Estimate No. 1 and final in the amount of \$6,475.

6. Signal Hill Lift Station Pump Replacement: Mr. Gaez stated that Si is coordinating the pump delivery with Pumps of Houston.

7. District Wide Air Release Valves: Mr. Gaez stated that the release valve inspection report is attached to the Engineer's Report. Mr. Gaez stated that the report was forwarded to Si for review of recommended repairs and modifications.

e. City of Houston/County Projects:

1. New Clarifier: Mr. Gaez stated that according to the December 5, 2016 progress report submitted by Klotz Engineering, construction of the clarifier concrete slab is ongoing.

2. West Bay Area Blvd. Concrete Replacement: Mr. Gaez stated that BGE attended a preconstruction meeting on December 5, 2016 and the notice to proceed was issued for January 3, 2017.

3. City of Houston-east Transmission Line- Mr. Gaez stated that the City of Houston requested a \$57,996.80 cash call for costs related to the feasibility and preliminary engineering for a transmission line. Mr. Gaez stated that BGE recommends that the Board authorize a surplus funds application to cover the cash call. Upon motion by Director Klenk, seconded by Director Longoria, after full discussion and the question being put to the Board, the Board voted unanimously to approve the surplus funds application.

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 approve Pay Estimate No. 1 in the amount of \$51,475 for the Lift Station No. 3 improvements.

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 approve the Engineer's Report.

10. Discuss and take any necessary action regarding rate structure. 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 amend the rate order as stated in Exhibit G.

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 presented to and reviewed with the Board the final version of the park signs, a copy of which is attached hereto as Exhibit I. Ms. Wagner stated that the total cost for five signs will be \$7,500. Ms. Wagner stated that there is a five year parts and labor warranty that is included in the \$7,500 cost. 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 approve the purchase of five signs at a cost of \$7,500.

12. Discuss and approve official name for District Park. 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 name the District Park Heritage Park Trails.

13. Sewage Treatment Plant Operations Report. President Squires stated that Gulf Coast is working on the third clarifier.

President Squires stated that Friendswood finished the testing and is working on the repairs.

President Squires stated that the Headworks project is complete and running.

14. Southeast Water Plant Report. President Squires stated that the co-participants approved the 2015 budget true-up. President Squires stated that the 2016 numbers should be presented in January and should be approved in April.

President Squires stated the attorney for the co-participants requested approval of an engagement letter with litigation attorney Graves Dougherty Hearon & Moody. Upon motion by Director Klenk, seconded by Director Longoria, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engagement letter with Graves Dougherty Hearon & Moody, subject to NRF review.

President Squires stated that the draft operations contract outlining the scope of work for the new operator was reviewed. President Squires stated that the co-participants would like the new operator by January 2018.

15. Discuss Maintenance of District Facilities. Director Longoria stated that he is working on the new chairs, stating that he spoke with National Business Furniture and is trying to schedule a site visit in order to view the actual chairs before purchase.

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 January 17, 2017.

President, Board of Directors

ATTEST:

Secretary, Board of Directors