

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 419

Minutes of Meeting of Board of Directors January 8, 2018

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 419 (the "District") met in regular session, open to the public, on January 8, 2018, at 1300 Post Oak Boulevard, Suite 1400, Houston, Harris County, Texas 77056, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board, as follows:

Stephanie Gay, President
Radney Poole, Vice President
Pamela Gray, Secretary
Robert G. Thomas, Assistant Secretary
Ed Conger, Director

and all of said persons were present, except for Director Gray, thus constituting a quorum.

Also present were Richard Derr of The Howard Hughes Corporation ("HHC"); Mark Gehringer of Bridgeland Development, LP ("Developer"); Mike Fitzgerald of BGE, Inc. ("BGE"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Greg Lenz of Hilltop Securities, Inc. ("Hilltop"); Jason Demel of Inframark, LLC ("Inframark"); Judith Miller of Municipal Accounts & Consulting, L.P. ("MA&C"); Brian Krueger of BKD, LLP ("BKD"); Joseph Howell, Patrick Porciello, and Barbara Nussa of Republic Services, Inc. ("Republic"); and Joseph M. Schwartz and Shelby Yllana of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared it open for such business as might regularly come before it.

APPROVAL OF MINUTES

The Board reviewed the draft minutes of its meeting held on December 11, 2017. The Board requested that a revision be made to the meeting minutes. After discussion, Director Conger moved that the aforesaid minutes be approved, as revised. Director Thomas seconded said motion, which unanimously carried.

PUBLIC COMMENTS

The Board considered public comments. Mr. Howell introduced himself, Ms. Nussa and Mr. Porciello of Republic to the Board. Mr. Howell advised that Republic is the garbage and recycling collection provider for the District, and that Republic is proposing (i) a contract extension, and (ii) changing the garbage collection service method from the current hand collection to an automatic truck collection. Ms. Nussa noted that the District currently uses an automatic truck collection for the recycling services. The Board raised concerns regarding the quality of services being provided within the District, to which Mr. Howell responded. Director Conger additionally raised concerns about how the new method of collection will impact the District residents, specifically in those residential sections with narrow alleyways.

Mr. Schwartz next advised that there are a small number of new resident accounts within Harris County Municipal Utility District No. 489 ("No. 489") that require garbage and recycling collection service. He advised that these accounts would be included under the District's current contract with Republic until such time as a collection services agreement is entered into between Republic and No. 489, and No. 489 would reimburse the District for any costs incurred relative to garbage and recycling collection within No. 489.

After discussion, the Board requested that Republic provide a proposal at the next Board meeting to change the method of garbage collection services from hand collection to automatic truck collection.

Ms. Nussa, Mr. Porciello and Mr. Howell thanked the Board for its time and exited the meeting.

BOOKKEEPER'S REPORT

Ms. Miller presented and reviewed with the Board the Bookkeeper's Report dated January 8, 2018, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for approval and the cash flow forecast for the District's operating account. After discussion, Director Poole moved that the Bookkeeper's Report be approved as presented, and the disbursements listed therein be approved for payment, except check no. 4573, which was voided. Director Thomas seconded the motion, which carried unanimously.

QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Schwartz advised that, pursuant to the Public Funds Investment Act ("PFIA"), the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit B**. Mr. Schwartz noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions, that the list was compiled with the input of the District's Investment Officers, but that it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Conger moved that (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) the President and Assistant Secretary be authorized to execute said Resolution on behalf of the Board and the District. Director Thomas seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Arce presented and reviewed the Tax Assessor Collector Monthly Report for the month of December 2017, a copy of which is attached hereto as **Exhibit C**, including the checks presented for approval. After discussion, Director Conger moved that the Tax Assessor-Collector Monthly Report be approved as presented, and the checks listed therein be approved for payment. Director Thomas seconded the motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

The Board considered the delinquent tax collections report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P, a copy of which is attached hereto as **Exhibit D**. The Board noted that no action was necessary regarding the report.

TAX EXEMPTIONS

Mr. Schwartz outlined for the Board the various tax exemptions available for adoption by the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Texas Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2018. In addition, Mr. Schwartz further advised that the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during the calendar year 2018, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After due discussion, Director Poole moved that the District (i) grant an exemption in the amount of \$10,000 for residents 65 years of age or older, (ii) grant an exemption to disabled residents in the amount of \$20,000, (iii) no general homestead exemption be granted at this time, and (iv) the Resolution Concerning Exemptions from Taxation included under **Exhibit E** be approved and the President and Assistant Secretary be authorized to execute same. Director Thomas seconded said motion, which unanimously carried.

ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

Mr. Schwartz advised the Board that it is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property accounts that become delinquent after February 1 of a year and that remain delinquent sixty (60) days after said date, to defray the costs of collection of said delinquent taxes. The Board next considered the adoption of a resolution authorizing such additional penalty. After discussion, it was moved by Director Poole, seconded by Director Thomas, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, attached hereto as **Exhibit F**, be approved and adopted.

OPERATOR'S REPORT

Mr. Demel presented and reviewed with the Board an operating and maintenance report for the month of December 2017, a copy of which is attached hereto as **Exhibit G**. Mr. Demel reported on the status of repairs and replacements made to the water and wastewater facilities, facility inspections, and the issuance of new residential and commercial taps. Mr. Demel next requested the Board's authorization for Inframark to begin a valve and manhole survey within the District. After discussion, the Board concurred to authorize Inframark to begin such survey.

Mr. Demel then reported on the water quality issues within the District. He noted that the chlorine burn was completed at the end of 2017, and subsequent testing has shown that the chlorine burn procedures were effective. He advised that the water system will be converted back to chloramines this week, and Inframark will continue to monitor same.

CONSENT TO ASSUMPTION OF CONTRACT

The Board next considered the approval and execution of a Consent to Assumption of Contract between the District and Inframark, LLC. Mr. Schwartz explained that effective December 31, 2017, Severn Trent Environmental Services, LLC ("ST") became Inframark, and it will be necessary to evidence that Inframark assumes ST's existing Operations Services Agreement with the District. Mr. Schwartz then presented a Consent to Assumption of Contract between the District and Inframark, LLC relative to said Operation Services Agreement. Director Thomas moved that the Consent to Assumption of Contract be approved as presented and the President be authorized to execute same on behalf of the Board and the District. Director Poole seconded said motion, which unanimously carried. A copy of the Consent to Assumption of Contract is attached hereto as **Exhibit H**.

ENGINEER'S REPORT

Mr. Fitzgerald presented the Engineer's Report dated January 8, 2018, a copy of which is attached hereto as **Exhibit I**, and reviewed with the Board the items listed therein, including pay estimates and change orders. Director Conger requested that BGE and Bridgeland Development, LP advise the Board of new projects prior to advertising for bids for same. Mr. Fitzgerald acknowledged same. After discussion, Director Conger moved that the Board approve all action items identified in the Engineer's Report, including the pay estimates and change orders identified therein. Director Poole seconded said motion, which unanimously carried.

UTILITY COMMITMENTS

The Board deferred consideration of the issuance of utility commitments after being advised by the District's engineer that no requests had been received since the Board's last meeting.

DEVELOPER'S REPORT

Mr. Derr reported on the status of development within the District and presented an inventory report attached hereto as **Exhibit J**. Mr. Gehringer provided an overview of future commercial and road development within the District.

SENATE BILL 622 AND SENATE BILL 625

Mr. Schwartz next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Mr. Schwartz advised that the information required to be submitted is described in the memorandum attached hereto as **Exhibit K**. Mr. Schwartz recommended that, BKD, the District's auditor, be authorized to prepare and submit

the information, which work will be performed on an hourly basis at an estimated cost of \$400-\$600. Following discussion, Director Poole moved, Director Thomas seconded, and it was unanimously carried that BKD be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Information Database.

INSURANCE

Mr. Schwartz reported to the Board that the District's current insurance coverage and the directors and consultants bonds, issued through AquaSurance, LLC, will expire on March 31, 2018. He informed the Board that other insurance companies provide such policies to water districts and inquired as to whether the Board wished to solicit proposals from other companies for insurance to review prior to the expiration of the current policies. After discussion, Director Thomas moved that SPH obtain a proposal only from AquaSurance, LLC for review at the next Board meeting. Director Poole seconded said motion, which unanimously carried.

ATTORNEY'S REPORT

Mr. Schwartz reminded the Board that it had previously requested a Board meeting be held in the boundaries of the District. The Board determined that the District meeting be held on the next regular meeting date, February 12, 2018, at 7:00 p.m. at the Lakeland Activity Center. Mr. Schwartz advised that SPH will coordinate same with the Lakeland Activity Center.

Mr. Schwartz next presented correspondence received from the West Harris County Regional Water Authority ("WHCRWA") regarding the appointment of a candidate to its Board of Directors, in addition to the requirement to complete an annual Water Usage Form. The Board declined to appoint a candidate to the WHCRWA Board of Directors, and requested that Inframark complete the Water Usage Form and return same to the WHCRWA as required.

SUPPLEMENTAL AGENDA

The Board considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit L** calling such election to be held on May 5, 2018. It was noted that the terms of office of Directors Gay and Gray expire in May of this year. In reviewing the Order with the Board, Mr. Schwartz advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Shelby Yllana as such agent (the "Election Agent"). Mr. Schwartz further advised the Board that notice of the Directors Election must be given in accordance with the requirements of the Texas Election Code. Mr. Schwartz advised the Board that notice of the Directors Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. He further advised that, in addition to the above, notice must be posted at the location used for posting notices of the meetings at least twenty-one (21) days before the election. Following discussion of the options, the Board concurred that notice of the Directors Election be given by posting same at the

the Board concurred that notice of the Directors Election be given by posting same at the locations where notice of meetings of the Board are posted, as such posting meets all legal requirements under the Texas Election Code. After discussion on the matter, Director Poole moved that said Order be passed and adopted, that the President and Assistant Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Thomas seconded said motion, which unanimously carried. Mr. Schwartz advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 16, 2018, the Board may thereafter cancel the Directors Election in accordance with the Texas Election Code.

The Board considered the establishment of fees to be paid to officials for the Directors Election. Mr. Schwartz advised the Board that in accordance with the Texas Election Code, the rate of pay for judges and clerks shall be determined by the Board, but shall not be less than the federal minimum wage rate. After discussion on the matter, Director Poole moved that the judges and clerks for the Directors Election, including early voting clerks, be paid \$10.00 per hour. Director Conger seconded said motion, which unanimously carried.

MATTERS FOR FUTURE AGENDAS

No items were requested to be placed on the agenda for the Board's next regular meeting other than routine administrative and ongoing matters.

ADJOURNMENT

There being no further business to come before the Board, on motion made by Director Conger, seconded by Director Poole, and unanimously carried, the meeting was adjourned.


Assistant Secretary

LIST OF ATTACHMENTS TO MINUTES

Exhibit A - Bookkeeper's Report

Exhibit B - Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions, and comparison of broker lists

Exhibit C - Tax Assessor-Collector Report

Exhibit D - Delinquent Tax Report

Exhibit E - Tax Exemptions

Exhibit F- Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes

Exhibit G - Operator's Report

Exhibit H - Consent to Assumption

Exhibit I - Engineer's Report

Exhibit J - Inventory Report

Exhibit K - SB 622/SB 625 Memorandum

Exhibit L- Order Calling Directors Election

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