

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 264

March 16, 2016

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 264 (the "District") met in regular session, open to the public, on the 16th day of March, 2016, at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Russell Appelget	President
Jose Nava	Vice President
Donnice Hoffman	Secretary
Charles E. Brandman	Assistant Vice President
Thomas Winkler	Assistant Secretary

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

Also present at the meeting were Julia McCain of McCall Gibson Swedlund Barfoot PLLC ("McCall"); Ryan Fortner of Wheeler & Associates, Inc.; Stephen Swindell and Victor Saenz of Jones & Carter, Inc. ("J&C"); Wendy Austin of District Data Services Inc.; Bill Richmond and Teri Schoener of Severn Trent Services, Inc. ("ST"); and Robert A. Seale and Alyssa Ollwerther of Allen Boone Humphries Robinson LLP ("ABHR").

DISCUSSION OF ONGOING CAPITAL PROJECTS

Mr. Swindell discussed ongoing capital projects and responded to Board members' questions.

ENGINEERING MATTERS

Mr. Swindell reviewed the engineer's report, a copy of which is attached.

Mr. Swindell updated the Board on the closed circuit television ("CCTV") program related to the sanitary sewer rehabilitation project. He stated that the cost estimate to perform the rehabilitation remains at \$200,000.

Mr. Swindell updated the Board on the water plant inspection. He stated that the inspection is complete and reviewed a report with the Board, a copy of which is attached to the engineer's report. He added that the largest single item included in the report is the recoating of the interior of ground storage tank no. 2 in the amount of \$135,000.

Mr. Swindell also discussed additional investigative costs associated with the replacement of either a welded steel tank versus a concrete tank for ground storage tank no. 1. After discussion, the Board concurred to authorize Mr. Swindell to include the additional engineering costs associated with the replacement of either a welded steel tank versus a concrete tank for ground storage tank no. 1 as part of the replacement project.

Mr. Swindell updated the Board on the force main project. He stated that J&C is continuing to design the force main project. Mr. Swindell stated that J&C has received comments from the City of Houston (the "City") and are waiting for comments from Harris County. He stated that J&C scheduled a meeting for March 29, 2016, with the City to discuss their comments. He added that J&C prepared a tracking chart for the project, a copy of which is also included in the engineer's report.

Mr. Swindell stated that J&C will continue to work closely with Mr. Seale as he coordinates the remaining agreement with the apartment complex. Discussion ensued regarding recent correspondence with the owners of the apartment complex. Mr. Swindell added that J&C has separated the force main project from the lift station piping replacement and will bid the projects separately because the work types differ greatly and the lift station is such a small component.

Mr. Swindell updated the Board on the projects that will be financed with the reallocated funds from bond application no. 6 and reviewed the timing for the following projects: (i) sanitary sewer rehabilitation; (ii) ground storage tank no. 1 replacement; (iii) water plant motor control center replacement; and (iv) lift station motor control replacement. He discussed the life cycles and maintenance costs of a welded steel tank versus a concrete tank for the ground storage tank no. 1 replacement. He requested authorization to advertise for bids for both steel and concrete to replace the tank for ground storage tank no. 1. Mr. Swindell also discussed the size of the proposed replacement tank and its fire flow requirements due to the District serving Langham Creek High School. Mr. Swindell requested authorization to begin demolishing the existing ground storage tank no. 1 for an approximate cost of \$17,000. Discussion ensued.

After review and discussion, Director Nava moved to (1) approve the engineer's report; and (2) authorize J&C to advertise for bids for a welded steel and concrete tank for the replacement of ground storage tank no. 1; and (3) defer any decision on the timing for the demolition of ground storage tank no. 1 until more information is received. Director Brandman seconded the motion, which carried unanimously.

MINUTES

The Board considered approving the minutes of the February 17, 2016, regular meeting and the February 29, 2016, special meeting. After review and discussion,

Director Brandman moved to approve both sets of minutes as presented. Director Hoffman seconded the motion, which passed by unanimous vote, with the exception of Director Winkler, who abstained from voting.

PUBLIC COMMENTS

The Board did not receive any public comments.

ENGAGE AUDITOR

Ms. McCain reviewed an evergreen engagement letter to conduct the District's annual audits, including the audit for the District's fiscal year ending March 31, 2016. After review and discussion, Director Nava moved to approve and authorize execution of an evergreen engagement letter with McCall and direct that the letter be filed appropriately and retained in the District's official records. Director Winkler seconded the motion, which passed by unanimous vote.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Austin presented and reviewed the bookkeeper's report, a copy of which is attached. She pointed out that the District received \$16,787.70 in sales tax revenue. Mr. Fortner stated that since there are now more than four businesses within the limited-purpose annexation boundary, the required minimum to receive revenue, the sales tax revenue is remitted from the Comptroller to the District. He stated that the sales tax revenue received is attributable to the period from March 2011 to December 2015. After review and discussion, Director Hoffman moved to approve the bookkeeper's report and payment of the bills. Director Winkler seconded the motion, which carried by unanimous vote.

ADOPT BUDGET FOR FISCAL YEAR END MARCH 31, 2017

Ms. Austin presented and reviewed a proposed budget for the fiscal year ending March 31, 2017, a copy of which is included in the bookkeeper's report. Following review and discussion, Director Hoffman moved to adopt the budget for fiscal year ending March 31, 2017. Director Winkler seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Fortner presented and reviewed the tax assessor/collector's report, a copy of which is attached. He presented and reviewed the cash flow report and delinquent tax roll, copies of which are included in the tax assessor/collector's report. Mr. Fortner noted that 98.03% of the District's 2015 taxes have been collected to date. Following review and discussion, Director Appleget moved to approve the tax assessor/collector's

report, including payment of the tax bills. Director Nava seconded the motion, which carried by unanimous vote.

ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board next considered adopting a Resolution Concerning Exemptions from Taxation. Mr. Seale reviewed the Resolution which provides for a \$10,000 exemption for persons who are over 65 or disabled. After review and discussion, Director Hoffman moved to adopt the Resolution Concerning Exemptions from Taxation and direct that the Resolution be filed appropriately and retained in the District's official records. Director Brandman seconded the motion, which passed unanimously.

OPERATOR'S REPORT

Mr. Richmond presented and reviewed the operations and maintenance report and the regional sewage treatment plant report and testing results, copies of which are attached. He reported that the water accountability for the past month was 98.59% and updated the Board on maintenance and repairs conducted during the previous month.

Mr. Richmond reported that lift station pump no. 3 is currently in the repair shop and expects that it will be back on line early next week.

Mr. Richmond recommended that six accounts with outstanding balances over \$25.00 be turned over to a collection agency.

Mr. Richmond reviewed a proposal for a fire hydrant survey, a copy of which is included in the operator's report, along with the procedures of the survey. He stated that the average cost per hydrant is \$45.00. He added that the addition of a GIS tool for each hydrant would be an additional \$4.50.

Mr. Richmond reviewed an insert from the West Harris County Regional Water Authority ("WHCRWA") regarding the cost of water to add to the next water bill.

Mr. Richmond stated that he received correspondence from a resident, Ms. Hatzenbuehler, who lives at 7519 Grand Terrace, requesting a copy of a service line televising report produced by ST after ST investigated a sinkhole found under Ms. Hatzenbuehler's driveway.

Mr. Richmond also introduced Ms. Teri Schoener and stated that ST was moving one of its offices currently located at Park Row Drive.

Following review and discussion, Director Nava moved to (1) approve the operator's report; (2) authorize ST to submit six accounts totaling \$596.39 to a collection agency; (3) authorize ST to complete a fire hydrant survey for the hydrants in the District, excluding the GIS tool, for an average cost of \$45 per hydrant in the District; and

(4) authorize ST to release the service line televising report to Ms. Hatzenbuehler. Director Winkler seconded the motion, which passed unanimously.

HEARING ON TERMINATION OF WATER AND SEWER SERVICE

The Board considered termination of utility service to customers with delinquent accounts. Mr. Richmond reported that the customers appearing on the termination list were given proper notice and the opportunity to be heard in order to explain, contest or correct the utility service bill and show reason why utility service should not be terminated for reason of nonpayment, all as required by the District's Rate Order. After review and discussion, Director Nava moved that, since no customers on the list were present at the meeting or had presented any written statement on the matter, service should be terminated to said accounts pursuant to the provisions of the District's Rate Order. Director Winkler seconded the motion, which passed by unanimous vote. A copy of the termination list is included in the operator's report.

CONDUCT ANNUAL REVIEW OF DROUGHT CONTINGENCY PLAN

The Board reviewed the District's current Amended and Restated Drought Contingency Plan and determined that no changes were needed at this time.

APPROVE ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN

The Board concurred to table this agenda item until the April meeting.

WHCRWA MATTERS

Director Appelget reported on WHCRWA matters.

PUBLIC BEAUTIFICATION AND CONSERVATION PROJECTS

There was no discussion on this agenda item.

DISTRICT WEBSITE

Director Appelget updated the Board on District website matters.

ATTORNEY'S REPORT

Mr. Seale updated the Board on ongoing discussions with the apartment complex ownership group regarding the force main replacement project.

2016 DIRECTORS ELECTION, INCLUDING AUTHORIZE NOTICE AND WRIT OF ELECTION

Mr. Seale reviewed the Notice and Writ of Election. Following review and discussion, Director Hoffman moved to approve the Notice and Writ of Election. Director Nava seconded the motion, which passed unanimously.

Mr. Seale also reviewed correspondence from Ms. Kristi Cole, the Association Manager for Westcreek Village Community Association, Inc. ("Westcreek"), outlining stipulations for use of the Forest Heights meeting room for election days set forth by the Board members of Westcreek. After review and discussion, Director Hoffman moved to approve the stipulations for use of the Forest Heights meeting room for election days set forth by the Board members of Westcreek and request Mr. Seale to correspond with Ms. Kristi Cole regarding same. Director Brandman seconded the motion, which carried unanimously.

DISTRICT MEETING SCHEDULE

The Board concurred to hold its next regular meeting on April 20, 2016, at 5:30 p.m. at ABHR.

There being no further business to come before the Board, the meeting was adjourned on the motion of Director Appelget, which was seconded by Director Nava and carried by unanimous vote.



Donnice Hoffman
Secretary, Board of Directors

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