

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 374

January 12, 2017

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 374 (the "District") met in regular session, open to the public, on the 12th day of January, 2017, 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:

Merry Leonard	President
Joe Sykes	Vice President
Brian Canepa	Secretary
Mike Owens	Assistant Secretary
Thomas Mohr	Assistant Vice President

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

Also present at the meeting were Jason Demel of Severn Trent Services, Inc. ("ST"); Kathy Cruthirds of Tax Tech, Inc. ("Tax Tech"); Diane Bailey of McLennan & Associates, L.P.; Josh Fort of Champions Hydro-Lawn, Inc. ("Champions"); Keli Schroeder and Ethan Demary of BGE, Inc. ("BGE"); Randy Corson of Mischer Investments, LP; Dennis O'Connor, Rob Melloy, and Stacey Thomas of the Cypress Creek Lakes Property Owners Association, Inc. ("POA"); Randy Corson of Mischer Investments, LP; Mark Jones, a resident of the District; and Susan Edwards and Susan Prospere of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the December 8, 2016, meeting. Following review and discussion, Director Owens moved to approve the minutes as presented. Director Sykes seconded the motion, which passed by unanimous vote.

BOOKKEEPER'S REPORT

Ms. Bailey presented the bookkeeper's report and submitted the bills for the Board's review. Ms. Bailey also presented the investment report for the Board's review. Upon a motion made by Director Sykes and seconded by Director Owens, the Board voted unanimously to approve the bookkeeper's report, the checks presented for payment, and the investment report. A copy of the bookkeeper's report, including the investment report, is attached.

AMENDED EXHIBITS A TO DEPOSITORY PLEDGE AGREEMENTS

The Board considered approving amended Exhibits A to the Depository Pledge Agreements with BBVA Compass Bank and Wells Fargo Bank, National Association, to reflect the District's new Investment Officer. After discussion, Director Sykes moved to approve the amended Exhibits A to the Depository Pledge Agreements as discussed. Director Owens seconded the motion, which carried unanimously.

ANNUAL DISCLOSURE STATEMENT

The Board considered accepting the Disclosure Statement from the District's bookkeeper/Investment Officer for filing with the Texas Ethics Commission as required by the Public Funds Investment Act. After discussion, upon a motion made by Director Owens and seconded by Director Canepa, the Board voted unanimously to accept the Disclosure Statement from the District's bookkeeper/Investment Officer and to authorize filing with the Texas Ethics Commission.

TRAVEL REIMBURSEMENT GUIDELINES

Ms. Edwards generally reviewed the Board's Travel Reimbursement Guidelines and Director Expenses for the Association of Water Board Directors winter conference. After discussion, Director Owens moved to authorize reimbursement of the costs of two nights of lodging and reasonable meals and payment of three per diems for those Board members attending the conference. Director Canepa seconded the motion, which carried unanimously.

TAX REPORT

Ms. Cruthirds reviewed the District's monthly tax report and noted that 22.08% of the District's 2016 taxes had been collected through the end of December. After discussion, Director Sykes moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Canepa seconded the motion, which carried by unanimous vote. A copy of the tax report is attached.

ENGINEER'S REPORT

The Board received a written engineer's report prepared by BGE, a copy of which is attached.

IRRIGATION PUMP STATION NO. 1, WET WELL, AND ELECTRICAL SERVICE UPGRADE

Ms. Schroeder reported on the status of the irrigation pump station no. 1, wet well, and electrical service upgrade. She stated that no Pay Estimates or Change Orders were submitted by Gulf Coast Lake Irrigation for the Board's approval.

DEEDS, EASEMENTS, AND CONSENTS TO ENCROACHMENT

There were no deeds, easements, and/or consents to encroachment for the Board's approval and/or acceptance.

DRAINAGE IMPROVEMENTS IN CYPRESS CREEK LAKES, SECTION 8

Ms. Schroeder reported on BGE's analysis of options for drainage improvements in Cypress Creek Lakes, Section 8. She discussed upsizing the culvert crossings between the southern detention ponds but stated that this project would be expensive and not particularly effective. She stated that the connection between the two detention ponds could be improved but would provide only about ½-inch flooding relief. She reported that improvements to the entry road and cul-de-sac could be performed but raising the streets, upsizing the storm sewer facilities, and regrading the residents' yards would cost over \$500,000 and would be extremely disruptive. Ms. Schroeder also informed the Board that reducing the drainage rate from the Cypress-Fairbanks Independent School District detention pond will have no material effect on the Cypress Creek Lakes, Section 8, drainage. The Board requested that Ms. Schroeder confirm that the detention pond drainage velocity from the school district facility was considered in the analysis. Finally, Ms. Schroeder reported that ST will be televising the detention pond connector lines to ensure that no blockages exist. She reminded the Board that the drainage system meets all regulatory requirements.

UTILITY COMMITMENT LETTERS

There were no utility commitment letters for the Board's approval.

OPERATOR'S REPORT

Mr. Demel presented an operator's report, a copy of which is attached, and reported no violations of the permitted parameters for the effluent discharge in November. He then reviewed the report and invoices with the Board. He also reported on routine maintenance and repair items during the month.

Mr. Demel recommended that the Board authorize writing off two delinquent water and sewer service accounts with balances less than \$25. Upon a motion made by Director Owens and seconded by Director Canepa, the Board voted unanimously to authorize writing off two delinquent accounts under \$25.

Mr. Demel reviewed the reports on the November effluent and reuse flow/rainfall, the meter replacements in November indicating two replacements, and a list of zero usage meter readings in the District, copies of which are attached.

Mr. Demel reported that the irrigation makeup well has not been capped because it was listed on the CenterPoint Energy critical load list and was, therefore, not

approved for capping. He stated that the list will be corrected and the well will be capped.

PROPOSAL FOR TELEVISIONING DETENTION POND CONNECTOR LINES

Mr. Demel stated that he will provide an itemized proposal for televising the various detention pond connector lines at the next regular meeting.

HEARING REGARDING TERMINATION OF UTILITY SERVICE TO DELINQUENT ACCOUNTS

Mr. Demel submitted a list of delinquent accounts to the Board for termination of utility service. He stated that the accounts in question have been given written notification of the opportunity to appear, either in person or in writing, at the Board meeting to contest, explain, or correct the charges, services, or disconnection. Mr. Demel noted that the accounts listed have neither attended the Board meeting nor contacted his office or the District to contest or explain the charges. After discussion, Director Owens moved that the District's operator be authorized to proceed with termination of the utility service to said accounts, pursuant to the provisions of the District's Rate Order. The motion was seconded by Director Canepa and carried unanimously.

POA SHARED CONTRACTS FOR LANDSCAPING AND SHARED SERVICES FOR PARKS AND IMPROVEMENTS

Mr. Melloy addressed the Board regarding the POA's requests that the District share certain project costs with the POA for the enhancement of the community. He proposed that the District purchase approximately 1.46 acres out of 4.6-acre tract of land by the splash pad. The Board noted that the taxable value for the 1.46-acre tract of land is \$143,093.

Mr. Melloy requested District assistance on repairing the pergola in Cypress Creek Lakes, Section 5, and the dock at the Cypress Creek Lakes, Section 1, detention pond.

Mr. Melloy asked if the District would assume responsibility for garbage and recycling collection services at an approximate annual cost of \$168,000. The Board expressed concern regarding the need to increase the District's sanitary sewer rates if the District assumes responsibility for the services.

After discussion, the Board requested that Ms. Schroeder identify the acreage in the tract by the splash pad proposed for sale to the District for further discussion at its next regular meeting.

DISTRICT WEBSITE

Ms. Thomas reported that the POA website provider is interested in incorporating the District's information onto the POA website or in creating a District website. After discussion, the Board agreed to establish a separate District website.

Mr. Owens presented a Service Agreement for a District website with Off Cinco and a proposal for a District website from Dulin Management, LLC, General Partner of DonDulin.com, LP, copies of which are attached. Director Leonard noted that she will submit a Conflicts Disclosure Statement regarding this matter because she serves as executive director of the AWBD, which has a contract with Off Cinco. After discussion, Director Owens moved to approve the Service Agreement with Off Cinco, subject to receipt of the Form 1295. Director Sykes seconded the motion, which carried unanimously.

AMENDED BUDGET

The Board considered amending the District's budget for the fiscal year end August 31, 2017, to include the District's website services at an annual cost of \$8,000. Upon a motion made by Director Owens and seconded by Director Sykes, the Board voted unanimously to amend the District's budget as stated.

CHAMPIONS REPORT

Mr. Fort presented a report from Champions on the District's drainage facilities, a copy of which is attached. He pointed out the vehicular tracks at Channel C. After discussion, Director Sykes moved to authorize ST to install two "No Trespassing" signs at the entrances. Director Canepa seconded the motion, which carried unanimously.

LAKE PRO, INC., REPORT

Director Sykes reported that Lake Pro, Inc., is continuing work to maintain and repair the fountains. He suggested authorizing Lake Pro, Inc., to inspect the fountains more often. He then stated that he will discuss the ongoing fountain repairs with Lake Pro, Inc., before presenting a proposal for additional inspections.

PARK/RECREATIONAL IMPROVEMENTS AND I.M.S. LANDSCAPE SERVICES, INC. ("I.M.S."), REPORT

Director Owens presented proposals from I.M.S. for landscaping at linear lake 7 at a cost of \$3,931, for removing and replacing dead trees at lakes 2 and 3 at a cost of \$21,710, for pressure washing the benches and pads around the lakes at a cost of \$875, and for replacing gravel in the wax myrtle bed at the lake 2 (splash pad lake) outfall and recutting and top dressing the beds at lake 2 at a cost of \$155, copies of which are attached. After discussion, Director Owens moved to accept the I.M.S. proposals. Director Sykes seconded the motion, which carried unanimously.

Mr. Owens presented a proposal from Matt's Custom Decks, Inc., a copy of which is attached, for repairs to the arbor at lake 8 between the Cypress Creek Lakes Clubhouse and Cypress North Houston and repairs to the deck at lake 1, for a total cost of \$9,938. After discussion, Director Owens moved to accept the proposal from Matt's Custom Decks, Inc., subject to receipt of the Form 1295. Director Sykes seconded the motion, which carried unanimously.

AMENDED BUDGET

The Board considered amending the District's budget for the fiscal year end August 31, 2017, to include the I.M.S. and Matt's Custom Decks, Inc., proposals. Upon a motion made by Director Owens and seconded by Director Sykes, the Board voted unanimously to amend the District's budget as stated.

PATROL SERVICES AND INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES

The Board acknowledged receipt of the security services report for the month, a copy of which is attached.

The Board considered approving the Interlocal Agreement for Law Enforcement Services, effective March 1, 2017, a copy of which is attached. After discussion, Director Sykes moved to approve the Interlocal Agreement for Law Enforcement Services. The motion was seconded by Director Owens and carried by unanimous vote.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA") REPORT

There was no report on the WCHRWA.

MEETING FACILITY

The Board discussed remodeling the Cypress Creek Lakes Clubhouse. The Board considered approving a proposal for improvements to the Cypress Creek Lakes Clubhouse from Crestwood Homes & Construction ("Crestwood") at a cost of \$14,040.68, less sales tax in the amount of \$202.13, and from JCT Enterprises Roofing & Remodeling ("JCT"), for a total of \$4,435, copies of which are attached. The Board noted that the Crestwood proposal did not include the roof repairs, but included more items than the JCT proposal. After discussion, Director Sykes moved to accept the Crestwood proposal, subject to receipt of the Form 1295. Director Canepa seconded the motion, which carried unanimously.

ANNUAL REVIEW REGARDING POST-ISSUANCE COMPLIANCE

Ms. Edwards reported that ABHR has no recommendations for revision of the District's existing post-issuance compliance policy.

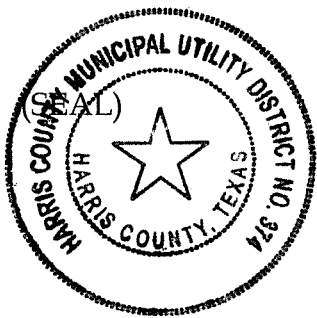
LIST OF LOCAL GOVERNMENT OFFICERS

Ms. Edwards reminded the Board that pursuant to Chapter 176 of the Texas Local Government Code, the District maintains a List of Local Government Officers ("List"). She stated that there are no changes to the List on file for the District.

DEVELOPER'S REPORT

Mr. Corson reported on development in or adjacent to the District.

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



Michael Corson
Secretary, Board of Directors

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