

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 374

March 8, 2018

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 8th day of March, 2018, 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:

Joe Sykes	President
Mike Owens	Vice President
Jennifer Naedler	Assistant Vice President
Brian Canepa	Secretary
Thomas Mohr	Assistant Secretary

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

Also present at the meeting were John Elder of Acclaim Energy Advisors ("Acclaim"); Mirna Bonilla-Odums of Inframark Water & Infrastructure Operations ("Inframark"); Kathy Cruthirds of Tax Tech, Inc. ("Tax Tech"); Diane Bailey and Karen Sears of McLennan & Associates, L.P.; Josh Fort of Champions Hydro-Lawn, Inc. ("Champions"); Keli Schroeder of BGE, Inc. ("BGE"); and Susan Edwards and Merry Heyne of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the February 8, 2018, regular Board meeting. Following review and discussion, Director Canepa moved to approve the regular meeting minutes as presented. Director Mohr seconded the motion, which passed by unanimous vote.

RECEIVE ACCLAIM ENERGY ADVISORS' REPORT ON ELECTRICITY MATTERS AND AUTHORIZE APPROPRIATE ACTION

Mr. Elder discussed the District's current electricity contract that expires on April 30, 2021. He reported on the closing of several power plants and the current low energy rates. He requested the Board consider authorizing execution of another electricity contract to lock in today's low rates after the District's current contract ends. Mr. Elder reviewed a proposal showing current energy prices, a copy of which is attached, and he recommended that the Board authorize a Board member to execute a new contract for electricity at the most favorable rate available. Following review and discussion, Director Mohr moved to authorize Director Sykes to execute a new 36-month contract for electricity service with Direct Energy for the period following expiration of the

current contract, subject to ABHR review of the new contract, and direct that the contract be filed appropriately and retained in the District's official records. Director Canepa seconded the motion, which passed unanimously.

REVIEW ARBITRAGE REPORT FOR SERIES 2012A AND 2012B BONDS

Ms. Edwards reviewed the Interim Excess Earnings Report on the \$5,370,000 Unlimited Tax Bonds, Series 2012A, and the \$2,845,000 Unlimited Tax Bonds, Series 2012B, as prepared by OmniCap Group LLC. She stated that the reports reflect that no arbitrage rebate or yield reduction payment is due to the Internal Revenue Service. The Board concurred to accept the reports and direct that the reports be filed appropriately in the District's records.

FINANCIAL AND BOOKKEEPING MATTERS, INCLUDING PAYMENT OF THE BILLS, AND REVIEW OF INVESTMENTS

Ms. Bailey presented the bookkeeper's report and submitted the bills for the Board's review. The Board requested additional information on reported director per diems for January 31, 2018.

The Board discussed the 2018 payment that was lost in the mail when it was sent to the Cypress Creek Lakes Property Owners Association, Inc. (the "POA") for purchase of the 3.313 acres from the POA. Following discussion, the Board requested that the 2019 and 2020 annual payments be sent to the POA by Federal Express due to the problem with delivery of the check by mail.

Following further discussion, Director Canepa moved to approve the bookkeeper's report, the checks presented for payment, and the investment report. Director Mohr seconded the motion, which carried unanimously. A copy of the bookkeeper's report, including the investment report, is attached.

TAX ASSESSMENT AND COLLECTION MATTERS, INCLUDING DELINQUENT TAX COLLECTIONS, INSTALLMENT AGREEMENT, AND PAYMENT OF TAX BILLS

Ms. Cruthirds reviewed the District's monthly tax report and stated that 97.49% of the District's 2017 taxes had been collected through the end of February. Following discussion, Director Mohr 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

Ms. Schroeder presented the engineer's report, a copy of which is attached.

IRRIGATION PUMP STATION NO. 3

Ms. Schroeder updated the Board on irrigation pump station no. 3. She recommended the Board approve the final pay estimate in the amount of \$17,985, payable to Gulf Coast Lake Irrigation and accept the project. Following discussion, Director Canepa moved to approve the final pay estimate, as discussed and accept the project. Director Mohr seconded the motion, which passed unanimously.

DEEDS, EASEMENTS, AND CONSENTS TO ENCROACHMENT

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

UTILITY COMMITMENT LETTERS

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

WASTE DISCHARGE PERMIT RENEWAL APPLICATION

Ms. Schroeder updated the Board on the waste discharge permit renewal application that was submitted to the Texas Commission on Environmental Quality ("TCEQ") on August 2, 2017. She reported that the permit should be approved by the end of May.

WATER PLANT PROJECTS

There was no update on this matter.

LIFT STATION INSPECTION

Ms. Schroeder updated the Board on the lift station inspection. She reported that BGE made a field visit to the lift stations and is compiling the information to present to the Board.

PARK BOND APPLICATION NO. 2

Ms. Schroeder gave an update on preparation of park bond application no. 2. She reported that the application is being finalized and should be submitted to the TCEQ within the next several weeks.

Ms. Edwards reviewed a Financing and Reimbursement Agreement for Recreational Facilities (the "Agreement") with the Board. Following review and discussion, Director Canepa moved to approve the Agreement and direct that the Agreement be filed appropriately and retained in the District's official records. Director Mohr seconded the motion, which passed unanimously.

COORDINATION WITH CY-FAIR ISD FOR DETENTION POND MANAGEMENT

Ms. Schroeder updated the Board on the coordination with Cy-Fair ISD for management of the detention pond. She presented and reviewed a memorandum outlining alternatives for the Cy-Fair ISD detention basin operation. Following discussion, the Board concurred to have BGE coordinate with the Cy-Fair ISD engineer regarding this matter.

OPERATOR'S REPORT

Ms. Bonilla-Odums presented the monthly operator's report, a copy of which is attached, and reported no violations of the permitted parameters for the effluent discharge in November. She then reviewed the report and invoices with the Board. Ms. Bonilla-Odums also reported on routine maintenance and repair items during the month.

The Board discussed the zero usage report. Ms. Bonilla-Odums informed the Board that five meters had to be replaced because they were stuck.

Following review and discussion, Director Canepa moved to approve the operator's report. Director Owens seconded the motion, which passed unanimously.

HEARING REGARDING TERMINATION OF UTILITY SERVICE TO DELINQUENT ACCOUNTS AND AUTHORIZE TERMINATION OF SERVICE

Ms. Bonilla-Odums reported on the list of delinquent customers this month. The Board conducted a hearing regarding water and sewer service terminations. She reported the customers on the termination list who are delinquent in the payment of their water and sewer bills were given written notification in accordance with the District's Amended Rate Order prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility service should not be terminated for reason of non-payment. After discussion, Director Canepa moved to authorize termination of delinquent accounts in accordance with the District's Amended Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records. Director Owens seconded the motion, which passed by unanimous vote.

ANNUAL REPORT ON IMPLEMENTATION OF WATER CONSERVATION PLAN

Ms. Bonilla-Odums stated that Mr. Demel will present the annual report on implementation of the Water Conservation Plan at the Board's next meeting.

ANNUAL REVIEW OF DROUGHT CONTINGENCY PLAN

The Board agreed that no changes to the District's Drought Contingency Plan are necessary at this time.

SMART METER MATTERS

Ms. Bonilla-Odums updated the Board on the installation of the Automatic Meter Reading Badger Poly E-Series Meters for the smart meter trial program. She reported that the trial kits have been ordered.

WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA") CREDIT FOR APPLICATION OF RE-USE WATER FOR IRRIGATION PURPOSES

Director Owens reported to the Board that the District may qualify for water credits from the WHCRWA for irrigating with re-use water. He added that the District will need to meter its re-use water application in order to request water credits. The Board discussed coordinating with Harris County Municipal Utility District No. 433 to receive any water credits the District is eligible for, since the District does not hold a well permit in its name.

CHAMPIONS REPORT

Mr. Fort presented a report on the District's drainage facilities, a copy of which is attached. He presented a proposal for de-silting Channel A at a cost not to exceed \$3,500. Following discussion, Director Owens moved to approve the proposal from Champions to de-silt Channel A, at a cost not to exceed \$3,500. Director Canepa seconded the motion, which passed unanimously.

LAKE PRO, INC., REPORT AND PROPOSALS

There was no discussion on this agenda item.

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

There was no discussion on this agenda item.

PATROL SERVICES

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

MEETING FACILITY REPORT, INCLUDING MAINTENANCE AND IMPROVEMENTS AT CYPRESS CREEK LAKES COMMUNITY CENTER ("CLUBHOUSE"), INCLUDING CHAIR REPLACEMENTS AND DISPOSITION OF OLD CHAIRS

Director Canepa informed the Board that he is planning on changing the combination on the clubhouse lock.

The Board discussed possibly charging a \$25 fee for cancellation of a clubhouse reservation.

DISTRICT WEBSITE

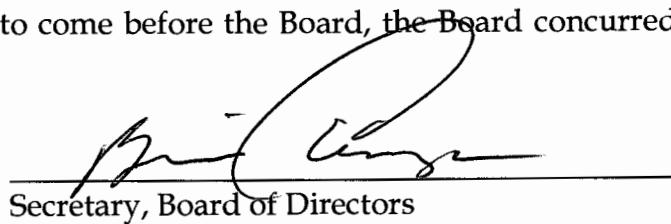
Director Owens updated the Board on the District's website.

2018 DIRECTORS ELECTION

Ms. Edwards discussed procedures related to the 2018 Directors Election. She reviewed a Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors executed by the agent of the Board Secretary stating that the District received two candidate applications for the two director positions for the May 5, 2018, Directors Election. Following review and discussion, Director Canepa moved to accept the Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors. Director Mohr seconded the motion, which passed unanimously.

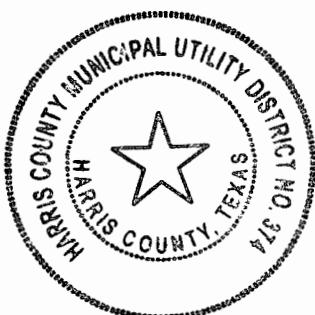
Ms. Edwards presented an Order Cancelling Election and Declaring Unopposed Candidates Elected to Office stating that the May 5, 2018, Directors Election is cancelled and that the unopposed candidates, Mike Owens and Jennifer Naedler, are declared elected to office to serve from the May 5, 2018, election until the May 7, 2022, Directors Election. Following review and discussion, Director Canepa moved to adopt the Order Cancelling Election and Declaring Unopposed Candidates Elected to Office. Director Mohr seconded the motion, which passed unanimously.

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



Jennifer Naedler
Secretary, Board of Directors

(SEAL)



LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
Proposal from Acclaim showing current energy prices.....	1
Bookkeeper's report.....	2
Investment report.....	2
Tax report.....	2
Engineer's report.....	2
Operator's report.....	4
Champions report.....	5
Security services report.....	5