

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
July 20, 2020

The Board of Directors of Harris County Municipal Utility District No. 401 met at Staybridge Suites, 10011 Farm to Market Road 2920, Harris County, Texas 77385, and by teleconference on July 20, 2020, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

Blair Fesler, President
Mark Atchison, Vice-President
Sandee Wright, Secretary
Raul Solis, Assistant Vice President/Secretary
Jordan Thomas, Assistant Vice President/Secretary

and all of said persons were present, thus constituting a quorum.

Also present via teleconference were Jeff Vogler and Andres Aranzales of Van De Wiele and Vogler, Inc. ("VDWV"); Scott Shelnett of Municipal Operations & Consulting, Inc. ("MOC"); Mike Scott of Champions Hydro-Lawn, Inc. ("Champions"); Robin Goin of Bob Leared Interests, Inc. ("BLI"); Stephanie Viator of District Data Services, Inc. ("DDSI"); Sergeant Hight of the Harris County Precinct Four Constable's Office ("HCCO"); Mike Brazzell and Charlene Robinson, residents; and Kara Richardson of Marks Richardson PC ("MRPC") and Miranda Jones Rajevac of MRPC.

The President called the meeting to order.

SECURITY PATROL

As the first order of business, the Board considered the report from the HCCO regarding security services in the District. Sergeant Hight reviewed the June 2020 Patrol Statistics, a copy of which is attached hereto as Exhibit A.

PUBLIC COMMENT

The Board deferred comments from the public, as no members of the public were present.

APPROVE MINUTES

The Board next considered approval of the minutes of the Board meetings held on May 29, 2020 and June 15, 2020. After discussion, Director Thomas made a motion to approve the minutes of the meeting of June 15, 2020, as presented, and defer approval of the minutes of the meeting on May 29, 2020. Director Atchison seconded the motion, which unanimously carried.

ENGAGE AUDITOR

The Board next considered the engagement of an auditor to prepare the District's audit report for the fiscal year ending July 31, 2020. Ms. Richardson reported that the District has an

evergreen contract with McCall Gibson Swedlund Barfoot PLLC (“McCall”) and therefore does not need to formally approve the engagement. She noted that McCall will begin preparation of the audit report to present to the Board in a few months.

BOOKKEEPING REPORT

Ms. Viator presented and reviewed the bookkeeper’s report dated July 20, 2020, a copy of which is attached hereto as Exhibit B. After discussion, Director Thomas made a motion to approve the bookkeeper’s report and to authorize payment for the invoices listed therein. Director Atchison seconded said motion, which carried unanimously.

ADOPT OPERATING BUDET

Ms. Viator presented and reviewed a proposed operating budget for the District's fiscal year ending July 31, 2021. Director Atchison asked questions about various line items including line item no. 5391-Interest, 5398-Maintenance Tax, 6201-Sludge Haul, 6329 Amenity Lake, and 6359 Other Expenses and the revisions to same. The Board requested that the election expense item be removed. After discussion, Director Atchison moved to adopt the operating budget for the fiscal year ending July 31, 2021, as amended. Director Thomas seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR’S REPORT

Ms. Goin next presented and reviewed the tax assessor-collector’s report dated May 31, 2020, a copy of which is attached hereto as Exhibit C. After discussion on the report presented, Director Thomas made a motion to approve the tax assessor-collector’s report and to authorize payment of the checks listed therein. Director Solis seconded the motion, which carried unanimously.

DEVELOPER’S REPORTS

The Board next deferred consideration of the developer’s report as no developer was present at the meeting.

FACILITY SITE MAINTENANCE

Mr. Scott presented and reviewed a detention and drainage facilities report from Champions dated July 20, 2020, a copy of which is attached hereto as Exhibit D.

Director Fesler asked Mr. Scott about the issues with rocks at Willow Creek and whether the Harris County Flood Control District (“HCFCD”) can remove same. Mr. Aranzales noted that the District can report the matter to HCFCD, but it will likely take some time to complete. Director Thomas stated that he will contact HCFCD and request that the rocks be removed.

Mr. Scott next presented and reviewed a proposal in the amount of \$7,795 for de-silting of the concrete pilot channel at Albury Trails Detention Pond D.

Mr. Scott next presented and reviewed a proposal in the amount of \$18,037.50 for de-silting the concrete pilot channel at Albury Trails Detention Pond B.

Mr. Scott next presented and reviewed a proposal in the amount of \$8,795 for de-silting of the earthen pilot channel at the Reserve at Inverness.

Mr. Scott next presented a proposed revised Annual Maintenance Budget for 2020-2021 which includes a CPI adjustment of approximately 5%.

After discussion, Director Thomas made a motion to approve the proposals for: 1) \$7,795 for de-silting of the concrete pilot channel at Albury Trails Detention Pond D, 2) \$18,037.50 for de-silting the concrete pilot channel at Albury Trails Detention Pond B, 3) \$8,795 for de-silting the earthen pilot channel at the Reserve at Inverness and 4) the Annual Maintenance Budget for 2020-2021 with a CPI adjustment of approximately 5%, all as discussed above. Director Atchison seconded the motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Aranzales presented and reviewed the Engineer's Report, attached hereto as Exhibit E, and reviewed the items listed therein with the Board.

Mr. Aranzales next reported on the status of the Water Main Loop. He reported that VDWV is preparing design plans and awaiting topo verification. Mr. Aranzales stated that VDWV will resubmit the plans for agency review. He also stated that the Agreed Final Judgment was executed on July 9, 2020. Mr. Aranzales requested that the Board authorize VDWV to solicit bids for the Water Main Loop project and include the hike and bike trail extension as an alternate bid item. After discussion, Director Atchison made a motion to authorize VDWV to solicit bids for the Water Main Loop project and include the concrete hike and bike trail extension as an alternate bid item. Director Solis seconded the motion, which unanimously carried.

Mr. Aranzales next reported on the approval of plans for the installation of additional fencing in the District. He stated that VDWV staked the property corners for the proposed iron fence extension at Wixford Lane. Mr. Aranzales also stated that the steel pipe fence plan was currently under review by Enterprise Pipeline. Mr. Aranzales next reviewed comments received from HCFCD.

Mr. Aranzales reported on the status of construction contract with Site Work Contractors LLC ("SWC") for sidewalk modifications at Inverness Crossing Blvd and Fanwick Drive. He stated that a pre-construction meeting was held on July 8, 2020. He also noted that the bonds and insurance are currently being reviewed by MRPC.

Mr. Aranzales next reported on the status of construction contract with TER Septic Site & Utilities LLC for construction of a driveway extension and culvert outside of the back gate of the WWTP property. He stated that a pre-construction meeting was held on July 8, 2020. Mr. Aranzales stated that the insurance is currently being reviewed by MRPC.

Mr. Vogler next reported on the annual analysis of the Albury Manor water rates. He stated that VDVW updated the cost analysis for the Albury Manor interconnect and reviewed the

Projected Operation and Maintenance Costs for the Water Well. Mr. Vogler recommended that the District increase Albury Manor's water rate to \$6.12 per 1,000 gallons of water from the previous \$5.82 per 1,000 gallons of water, effective immediately. After discussion, Director Wright made a motion to approve an increase in the Albury Manor water rate to \$6.12 per 1,000 gallons of water. Director Atchison seconded the motion, which unanimously carried.

The Board next deferred approval of a proposal from Lake Management Services, LP for lake aeration for the Inverness Estates and Albury Trails detention ponds until next month's meeting.

The Board next deferred the review of quotes for storage shed options for the WWTP property. Director Thomas recommended that the Board hold off on making a decision at this time.

Director Fesler next recommended that the Board consider installation of an electric gate at the WWTP. He discussed the problems with accessing District's facilities and how an electric gate may facilitate entry to the WWTP. The Board concurred that an item be added to the agenda for next month's meeting to discuss same.

SUBMISSION OF UPDATED INFORMATION REGARDING DISTRICT FACILITIES THAT QUALIFY FOR CRITICAL LOAD STATUS

Ms. Richardson reported that Section 13.1396, Texas Water Code requires public water suppliers, including the District, to: (a) annually submit to each electric distribution utility and each retail electric utility provider (collectively, "Electric Utilities") its facilities that qualify for critical load status and certain emergency contact information related thereto ("Critical Load Information"), and (b) update the Electric Utilities, the Public Utility Commission of Texas, the office of emergency management of each county in which the District has facilities that qualify for critical load status, and the Division of Emergency Management of the Governor of Texas with any updates to the Critical Load Information. Mr. Shelnett stated that Critical Load Information was previously submitted to the entities described above.

REVIEW PROPOSALS AND AUTHORIZE PURCHASE OF ALL-TERRAIN VEHICLE AND SHED STRUCTURE

The Board next deferred consideration of proposals for the purchase of an all-terrain vehicle and shed structure for the District.

OPERATIONS REPORT

Mr. Shelnett presented and reviewed the operations report for June 2020, a copy of which is attached hereto as Exhibit F. He reported that the District accounted for 93% of the water pumped during the month of June and that the District's facilities operated in compliance with its respective permits during the month.

Mr. Shelnett next asked whether to suspend the disconnection of water service for another thirty (30) days. Director Wright asked what other municipal utility districts are doing at this time. Ms. Richardson stated that other municipal utility districts are following similar procedures with

the requirement to contact the operator to set up a payment plan if a customer is unable to pay their bill. The Board discussed contacting those accounts scheduled for disconnection to try and set up a payment plan. After discussion, Director Thomas made a motion to 1) authorize MOC to send termination letters to delinquent customers which shall include language directing customers to contact MOC to set-up a payment plan to avoid termination, 2) authorize MOC to hang door-tags advising of water termination, 3) authorize MOC to work with customers to set up payment plans of up to six (6) months in duration, 4) require customers who are terminated to make the first payment of the payment plan along with the reconnect fee prior to the restoration of service, and 5) appoint Director Thomas to coordinate with MOC and act on behalf of the Board and the District to make decisions regarding customer terminations that have extenuating or special circumstances. Director Wright seconded the motion, which unanimously carried.

Director Atchison discussed the recent water pressure issues within the District and the Inverness Property Owner Association's ("POA") high-water usage for irrigation of the landscaping in the Inverness neighborhood. He recommended coordinating with the POA to discuss adjusting the irrigation schedule to lower the water usage. Mr. Shelnutt stated that the District's current well usage is close to triggering stage 2 of the Drought Contingency Plan and that MOC will be monitoring the situation. Mr. Shelnutt stated that he will research the water usage for the areas in question. Director Thomas next requested that all of the high-usage users be included on the high usage report. Mr. Shelnutt agreed to include the information in next month's report.

Mr. Shelnutt next reported that pressure washing, sanding and painting of the rod iron fence located on Wixford Lane will cost \$1,300. The Board deferred action on the matter.

ADOPT DISTRICT RULES REGARDING USE OF CERTAIN DISTRICT PROPERTY AND AUTHORIZE PUBLICATION OF NOTICE

The Board next deferred consideration of the adoption of District rules regarding the use of certain District property until next month's meeting.

ADOPT RESOLUTION REGARDING DEVELOPMENT DESIGNATION OF DISTRICT UNDER SENATE BILL 2 (86TH TEXAS LEGISLATURE)

Ms. Richardson next discussed certain requirements imposed by Senate Bill 2 which sets limitations on the amount that certain municipal utility districts can increase their property taxes without triggering elections to approve such increases. In connection therewith, Ms. Richardson presented the attached Resolution designating the District as a "Developed District" pursuant to Section 49.23602 of the Water Code and noted that the District's engineer had certified such designation. After discussion, Director Fesler made a motion to approve the Resolution and authorize the President and Secretary to execute same on behalf of the Board and the District. Director Thomas seconded the motion, which unanimously carried.

DISCUSS AUTHORITY OF DIRECTORS TO AUTHORIZE DISTRICT CONSULTANTS TO PERFORM CERTAIN WORK

The Board next discussed the authority of Directors to authorize District consultants to perform certain work without prior Board approval. Director Fesler stated that certain Directors

are requesting District consultants to perform work on non-urgent matters in between Board meetings without Board approval. He stated that sometimes these matters are not District-related, nor do they fall under the District's responsibilities. Director Fesler requested that Directors avoid asking Consultants to perform non-urgent work unless same is approved by the Board at District meetings.

EXECUTIVE SESSION

The Board next deferred recessing into Executive Session to discuss real property matters pursuant to §551.072, Texas Government Code and pending or contemplated litigation or a settlement offer pursuant to §551.071, Texas Government Code.

RECONVENE IN OPEN SESSION

The Board next deferred taking action relative to real property matters pursuant to §551.072, Texas Government Code and contemplated litigation or a settlement offer pursuant to §551.071, Texas Government Code.


Ms. Richardson stated that court entered the Final Agreed Judgement. She next discussed draft correspondence to the community that she prepared for the Board's review. Director Fesler requested that the Board hold off on sending the correspondence until the project is complete. Director Thomas agreed with Director Fesler's recommendation. The Board then discussed timing for the project. After discussion, the Board concurred to hold off on sending the correspondence to residents until the project is complete.

ITEMS FOR FUTURE AGENDAS

The Board next considered items for future agendas. After discussion, the Board concurred to add the following items to the next agenda: 1) discussion regarding a website for the District, 2) discussion regarding a District Facebook page, and 3) discussion regarding a mass communication program for the District.

ADJOURN

There being no further business to come before the Board, the meeting was adjourned.

DocuSigned by:

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Secretary, Board of Directors

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS
July 20, 2020

- A. Patrol Report
- B. Bookkeeper's Report
- C. Tax Assessor-Collector Report
- D. Detention and Drainage Facilities Report
- E. Engineer's Report
- F. Operations Report
- G. Resolution Regarding Development Designation