

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
September 16, 2019

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, on September 16, 2019, 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
Santee 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 were Ken Streeter of Hendricks Interests, LLC and Willow Creek Development Company, Ltd. ("WCDC"); Lisa Bonham of Jones & Carter, Inc. ("J&C"); 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"); Debbie Shelton of Masterson Advisors, LLC ("Masterson"); Sergeant Jamil and Corporal Benson of the Harris County Precinct Four Constable's Office ("HCCO"); and Kara Richardson of Marks Richardson PC ("MRPC").

The President called the meeting to order.

APPROVE MINUTES

As the first order of business, the Board considered approval of the minutes of the Board meetings held on August 19, 2019 and August 27, 2019. After discussion, Director Atchison made a motion to approve the minutes of the meetings of August 19, 2019 and August 27, 2019, as presented. Director Solis seconded the motion, which carried unanimously.

PUBLIC COMMENT

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

SECURITY PATROL

The Board next considered the report from the HCCO regarding security services in the District. Corporal Benson reviewed the August 2019 Patrol Statistics, a copy of which is attached hereto as Exhibit A. He stated that there were two (2) burglaries of motor vehicles and that both of the vehicles were unlocked. Director Atchison stated that the criminal mischief listed on the report was actually a fire truck that ran through the gate at the lift station on Mystic Stone. Director Thomas asked about a light pole that was hit the same night of the reported burglaries. Corporal Benson stated that he believes that the Sheriff's Department or Tomball Police Department responded to the call but that he will investigate the matter.

Director Fesler next discussed the continued communication issues with the HCCO and suggested that the District consider switching to the Harris County Sheriff's Department ("HCSO"). The Board then discussed the pros and cons of switching to the HCSO. The Board then agreed to authorize Director Fesler to advise the HCCO that they are on a thirty (30) day probationary period. Director Wright recommended that two Board members meet with the HCCO to discuss the ongoing issues. Director Atchison suggested that the Board hold a special meeting on Monday, September 23, 2019 at 7:00 p.m., at the Inverness Clubhouse with the HCCO to discuss the ongoing issues. Director Fesler stated that he will contact MRPC tomorrow to discuss same.

PUBLIC HEARING

The Board next conducted a public hearing relative to the District's proposed 2019 debt service and maintenance tax rates. Ms. Goin presented a copy of the tax rate publication. Director Fesler announced the hearing open and invited members of the public to address the Board on the proposed 2019 debt service and maintenance tax rates. Seeing no members of the public wishing to speak, Director Fesler then announced the hearing closed.

ORDER LEVYING TAXES

The Board next considered the adoption and levy of the District's 2019 debt service tax and maintenance tax. Ms. Richardson noted that the District published notice of a debt service tax rate of \$0.73 per \$100 of assessed valuation and a maintenance tax rate of \$0.2675 per \$100 of assessed valuation. After discussion, Director Atchison made a motion to levy a 2019 debt service tax of \$0.73 per \$100 of valuation and a 2019 maintenance tax of \$0.2675 per \$100 of valuation and to adopt the Order Levying Taxes, attached hereto as Exhibit B. Director Thomas seconded the motion, which carried unanimously.

AMENDMENT TO SECOND AMENDED AND RESTATED DISTRICT INFORMATION FORM

Ms. Richardson next presented and reviewed an Amendment to the Second Amended and Restated District Information Form in connection with the adoption of the 2019 tax rates. After discussion, Director Atchison made a motion to approve the Amendment. Director Thomas seconded the motion, which carried unanimously.

BOOKKEEPING REPORT

Ms. Viator presented and reviewed the bookkeeper's report dated September 16, 2019, a copy of which is attached hereto as Exhibit C. After discussion, Director Atchison made a motion to approve the bookkeeper's report and authorize payment for the invoices listed therein. Director Solis seconded said motion, which unanimously carried.

Ms. Viator next stated that she would like to add a line item to the budget for the condemnation and requested approval of an amendment to the budget for same. After discussion, Director Atchison made a motion to approve an amendment to the budget, as discussed above. Director Solis seconded the motion, which unanimously carried.

DEVELOPER'S REPORTS

Mr. Streeter reported on the status of development within Albury Trails Estates. He stated that they are selling one (1) or two (2) homes per month which is normal sales traffic for this time of year.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Goin next presented and reviewed the tax assessor-collector's report dated August 31, 2019, a copy of which is attached hereto as Exhibit D. After discussion on the report presented, Director Atchison 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 unanimously carried.

FACILITY SITE MAINTENANCE

Mr. Scott presented and reviewed a detention and drainage facilities report from Champions dated September 16, 2019, a copy of which is attached hereto as Exhibit E.

Mr. Scott reported that the bright green areas of grass in the photographs on pages 2 and 3 of the report are the alligator weeds that Champions would like to treat by application of an herbicide. He also stated that on page 3 it shows that the slope has sloughed off and is creating a sandbar in the detention pond. Mr. Scott stated that he has discussed the matter with J&C to determine how to resolve the issue. He stated that Champions will have a better assessment after the herbicide is applied. Director Atchison then asked for an assessment on the sandbar shown on page 4 of the report.

Mr. Scott reported that the new fence has been installed near the Albury Trails Detention Pond D. Director Thomas asked whether the fence can be extended further. Mr. Scott stated that the District would need to obtain permission from the Harris County Flood Control District ("HCFCD") to install any obstruction on HCFCD property.

Director Atchison next discussed the possibility of planting additional vegetation near the Albury Trails Detention Pond D to deter trespassing. Ms. Bonham reported that there is no irrigation in that area so keeping vegetation alive might be an issue.

Mr. Scott next presented the attached proposal for the application of herbicide to the Inverness Estates detention pond areas for a cost of \$1,465.00. After discussion, Director Thomas made a motion to approve the proposal for herbicide application for a cost of \$1,465.00, as discussed above. Director Atchison seconded the motion, which unanimously carried.

ENGINEER'S REPORT

Ms. Bonham presented and reviewed the Engineer's Report, attached hereto as Exhibit F, and reviewed the items listed therein with the Board.

Ms. Bonham reported on the status of the design for an additional water line across Willow Creek. She stated that J&C will resubmit the plans for approval once the easements are conveyed to the District.

Ms. Bonham reported on the WWTP re-rating and stated that J&C submitted the re-rate application to the Texas Commission on Environmental Quality ("TCEQ") today.

Ms. Bonham reminded the Board that J&C sent the Bond Application Report ("Report") to the TCEQ on July 12, 2019 and that the Report is currently pending with the TCEQ. She stated that the TCEQ advised that they anticipate completing the review by the end of September. Ms. Bonham stated that J&C will coordinate scheduling the pre-purchase inspection.

Ms. Bonham next reported on the Water Plant No. 1 improvements. She stated that J&C prepared contracts for execution with D&L Quality Painting ("D&L") in the amount of \$35,805 but did not receive the contracts back from D&L in time for MRPC to review the insurance and bonds prior to today's meeting.

Director Atchison next asked about the erosion issues at the homes located in Inverness Reserve. Ms. Bonham stated that J&C received a request for information from the homeowner's attorney and responded to the request but has not heard anything else on the matter.

Director Atchison asked about the installation of crosswalks on Inverness Crossing Blvd. Ms. Richardson stated that Harris County will require sidewalk modifications before allowing a crosswalk in that location. She then recommended having Ms. Bonham coordinate with Harris County to find out the requirements for a crosswalk and whether the County would allow a crosswalk if the sidewalk modifications are completed by the District. Ms. Bonham agreed to contact Harris County regarding the matter and obtain costs for same. The Board then discussed the potential participation from the Inverness Property Owner's Association ("POA").

REVIEW AND APPROVE PROFESSIONAL SERVICES AGREEMENT WITH JONES & CARTER, INC.

The Board next considered the review and approval of a restated Professional Services Agreement with J&C. Ms. Bonham stated that she spoke with Director Thomas regarding the contract and answered his questions regarding same. The Board concurred to defer the decision to next month's meeting.

STATUS OF BOND APPLICATION REPORT

The Board next deferred consideration of the status of the Report as same was discussed under the engineer's report.

AUTHORIZE SOLICITATION OF PROPOSALS FOR ENGINEERING SERVICES

The Board next considered authorizing the solicitation of proposals for engineering services for the District. Ms. Richardson explained the process for requesting proposals for engineering services and explained the requirements of the Texas Professional Services Procurement Act. After discussion, Director Thomas made a motion to authorize MRPC to

prepare a request for qualifications for engineering services for the District and to send same to candidate firms designated by the Board of Directors. Director Wright seconded the motion, with Directors Thomas, Wright, Fesler and Solis voting in favor and Director Atchison opposed. Ms. Richardson asked that the Board members email her with the names of any firm to which they would like to send a request for proposal.

Ms. Bonham next discussed the WWTP expansion issue that has concerned some of the Board members. She stated that the flow data suggests that the District will not have to expand the WWTP and that it is currently flowing at 50%. Ms. Bonham reviewed J&C's lengthy history with the District and noted that she and J&C have been the engineers for the District since its creation.

Director Thomas then asked about the charges for the flow-meter calibration at the WWTP. Mr. Shelnutt stated that he has been checking it every six (6) months to ensure there are no issues with the meter.

OPERATIONS REPORT

Mr. Shelnutt presented and reviewed the operations report for August 2019, a copy of which is attached hereto as Exhibit G. He reported that the District accounted for 93% of the water pumped during the month of August and that the District's facilities operated in compliance with its respective permits during the month.

Mr. Shelnutt stated that NTS replaced the generator controller display at the lift station but that MOC has not yet received an invoice for the repair. He stated that MOC will forward same to the insurance company once received.

Ms. Richardson next stated that she received information earlier in the month that the POA sent an email to the community asking residents to restrict their water usage and only water yards on alternating days, depending on the address. She stated that she sent an email to the POA attorney requesting that the POA refrain from sending such emails in the future since the District has the sole authority to implement water use restrictions and such emails from the POA may cause confusion to the residents when and if the need arises for the District to implement water use restrictions during a drought. She stated that the attorney agreed to consult the District in the future prior to sending such communications. She also noted that the attorney later sent an email asking if the Board would like to place signs in the community that say "Water Conservation Efforts in Effect". Ms. Richardson stated that she replied to the attorney and told him that she did not have the authority to approve such signage on behalf of the District, but that she would relay the information to the Board. She then explained that such signage also had the potential to cause confusion in the neighborhood but that the District could not prohibit the POA from erecting such signage.

APPROVE RESOLUTION AUTHORIZING ACQUISITION OF PROPERTY

The Board next considered approval of a Resolution Authorizing Acquisition of Property, confirmation of the existence of a public necessity for the District to acquire the easement property identified in said Resolution, and authorizing the initiation of condemnation proceedings, if necessary, to acquire said property. After discussion, Director Atchison made a motion to approve

the Resolution Authorizing Acquisition of Property, confirmed the existence of a public necessity for the District to acquire the easement property identified in said Resolution, and authorized the initiation of condemnation proceedings to acquire said easement property. Director Solis seconded the motion, which carried unanimously.

Director Atchison next asked the Board members to view the new sidewalk by the Water Plant to determine if the area needs to be mowed. The Board agreed to review same.

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

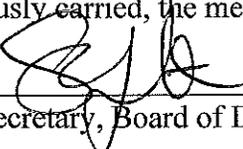
The Board next deferred taking action relative to real property matters pursuant to §551.072, Texas Government Code and contemplated litigation or a settlement offer pursuant to §551.071, Texas Government Code.

ITEMS FOR FUTURE AGENDAS

The Board next considered items for future agendas.

ADJOURN

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



Secretary, Board of Directors

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS
September 16, 2019

- A. Patrol Report
- B. Order Levying Taxes
- C. Bookkeeper's Report
- D. Tax Assessor-Collector Report
- E. Detention and Drainage Facilities Report
- F. Engineer's Report
- G. Operations Report
- H. Resolution Authorizing Acquisition of Easement for Construction of a Water Line and Initiation of Condemnation Proceeding