

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
April 19, 2021

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 January 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 were Andres Aranzales of Vogler and Spencer Engineering, Inc. ("V&S"); Scott Shelnett of Municipal Operations & Consulting, Inc. ("MOC"); Les Griffith of Champions Hydro-Lawn, Inc. ("Champions"); Stephanie Viator of District Data Services ("DDS"); Robin Goin of Bob Leared Interests, Inc. ("BLI"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Lieutenant Hight of the Harris County Precinct Four Constable's Office ("HCCO"); Mike Brazzell, resident; and Kara Richardson of Marks Richardson PC ("MRPC").

The President called the meeting to order.

SECURITY PATROL

The Board next considered the report from the HCCO regarding security services in the District. Sergeant Hight reported that he was newly promoted and will now be in charge of the District's contract. He then reviewed the Patrol Statistics, a copy of which is attached hereto as Exhibit A. Sergeant Hight discussed various activity within the District and stated that there was one (1) burglary of a habitation and one (1) theft of a motor vehicle. Director Atchison stated that he heard reports of someone pouring an unknown substance into his neighbor's gas tank. Mr. Brazzell then introduced himself to Sergeant Hight and stated that he is a Board member on the Inverness Estates Property Owners Association ("POA").

PUBLIC COMMENT

The Board considered comments from the public. Director Fesler introduced Mr. Brazzell to the Board and advised that he is a resident in the District.

APPROVE MINUTES

The Board next considered approval of the minutes of the Board meeting held on March 15, 2021. After discussion, Director Thomas made a motion to approve the minutes of the meeting

of March 15, 2021, as amended. Director Atchison seconded the motion, which unanimously carried.

BOOKKEEPING REPORT

Ms. Viator presented and reviewed the bookkeeper's report dated April 19, 2021, a copy of which is attached hereto as Exhibit B. After discussion, Director Atchison made a motion to approve the bookkeeper's report and to authorize payment for the invoices listed therein. Director Thomas seconded said motion, which carried unanimously.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Goin presented and reviewed the tax assessor-collector's report dated March 31, 2021, a copy of which is attached hereto as Exhibit C. Director Atchison asked about the \$14.44 on the delinquent list for the District. The Board concurred to move the account to the uncollectible roll. 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 and move the account discussed above to the uncollectible roll. Director Solis seconded the motion, which carried unanimously.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT TAXES

Ms. Richardson next advised the Board that pursuant to Section 33.07 of the Tax Code, as amended, the Board is authorized to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due to the District on July 1 on taxes that remain delinquent as of July 1 of the year in which they become delinquent. After discussion, Director Atchison made a motion to adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes, attached hereto as Exhibit D. Director Thomas seconded the motion, which carried unanimously.

PROPOSED ISSUANCE OF SERIES 2020 UNLIMITED TAX REFUNDING BONDS

The Board next considered the issuance of bonds to refund portions of the District's outstanding Series 2013 Unlimited Tax Bonds. Ms. Shelton reviewed the Refunding Effects analysis with the Board, attached as Exhibit E. She noted that the proposed refunding projects a total present value savings of 15.24% or \$339,016, based on the market rates in effect as of today. Ms. Shelton next recommended that the Board set a maximum bond issue size of \$3,500,000. She further recommended that the District designate SAMCO Capital Markets as the underwriters for the proposed bond issue. After discussion on the matter, Director Atchison made a motion to authorize the Board to proceed with the sale of the proposed bonds to SAMCO Capital Markets in an amount not to exceed \$3,500,000 if the net present value savings to be realized from the sale of the bonds is at least 13%. Director Wright seconded the motion, which carried unanimously.

The Board next considered the approval of a Preliminary Official Statement ("POS") in connection with the issuance of the District's proposed Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds"). Ms. Shelton reviewed the draft POS (attached as Exhibit "E") and recommended that the Board approve same, contingent upon review and approval of same by the District's consultants. After discussion, Director Atchison moved to approve the POS, contingent

upon its review and approval by the District's consultants, and to authorize Masterson to finalize the POS in connection with the Bonds. Director Wright seconded the motion, which carried unanimously.

The Board next considered the designation of an Escrow Agent and a Paying Agent/Registrar in connection with the Bonds. After discussion, Director Atchison made a motion to designate Regions Bank in Houston, Texas as the Escrow Agent and Paying Agent/Registrar in connection with the Bonds and to authorize the President to execute agreements relative to same on behalf of the Board and District. Director Wright seconded the motion, which carried unanimously.

The Board next considered the designation of a Verification Agent in connection with the issuance of the Bonds. Ms. Richardson advised the Board that the Attorney General requires that the District engage an independent auditor to conduct an audit to verify the savings to be realized by the District as a result of the refunding bond issue. After discussion, Director Atchison moved to engage the services of Public Finance Partners, LLC to act as verification agent for the Bonds. Director Wright seconded the motion, which carried unanimously.

The Board next considered authorizing Directors to act on behalf of the Board to receive and act upon proposals for the purchase of the Bonds, including approval of a Plan of Financing and execution and approval of an Officer's Pricing Certificate, Bond Purchase Agreement, Notice of Bond Redemption, General Certificate, Signature Identification and No-Litigation Certificate and any other documents required in connection with the sale of the Bonds. After discussion, Director Atchison moved to authorize the President and Secretary to act on behalf of the Board to receive and act upon proposals for the purchase of the Bonds, approve a Plan of Financing and execute, approve and, if necessary, attest on behalf of the Board and District, an Officers Pricing Certificate, Bond Purchase Agreement, Notice of Bond Redemption, General Certificate and Signature Identification and No-Litigation Certificate and any other documents required in connection with the sale of the Bonds, all contingent upon the terms of the sale being within the parameters adopted by the Board earlier in the meeting, and to authorize the District's Attorneys to prepare a transcript of the proceedings and take whatever other actions they deem necessary in connection with the sale of the Bonds. Director Wright seconded the motion, which carried unanimously.

The Board next considered adoption of an Order authorizing the issuance, sale and delivery of the Bonds. Ms. Richardson reviewed the terms and provisions of the Bond Order with the Board. After discussion, Director Atchison moved to adopt the Order and authorize the President to execute and Secretary to attest same on behalf of the Board and District. Director Wright seconded the motion, which carried unanimously.

The Board next considered authorizing the completion and distribution of a Final Official Statement to be prepared by Masterson. After review, Director Atchison moved to authorize the completion and distribution of a Final Official Statement. Director Wright seconded the motion, which carried unanimously.

DEVELOPER'S REPORTS

The Board next considered the developer's report. No one present had anything new to report.

FACILITY SITE MAINTENANCE

Mr. Griffith presented and reviewed a detention and drainage facilities report from Champions, a copy of which is attached hereto as Exhibit G. He stated that Champions last serviced the District on March 25, 2021 and is scheduled to service the District before the end of April.

Mr. Griffith reported that spring overseeding and fertilization was completed on April 7, 2021.

Director Thomas asked if Champions uses a fertilizer that has a bad odor. Mr. Griffith stated that Champions uses a chicken-based manure fertilizer which does have a slight odor for a couple days after it is put down. He stated that there is a chemical option, but it does not last as long as the manure-based option. Mr. Griffith also stated that the human manure option smells worse than the chicken-based manure option.

ENGINEER'S REPORT

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

Mr. Aranzales next reported on approval of plans and authorizing advertisement for bids for Water Well No. 2. He stated that V&S received approval from Harris County and is waiting on approval from the City of Houston. Mr. Aranzales recommended that the Board authorize V&S to advertise for bids for the project upon approval from the City of Houston. After discussion, Director Atchison made a motion to authorize V&S to advertise for bids for the Water Well No. 2 project, pending approval from the City of Houston. Director Wright seconded the motion, which unanimously carried.

The Board next considered acceptance of the one-hundred fifty foot (150') sanitary control easement for Water Well No. 2. Ms. Richardson stated that the POA approved and executed the easement. After discussion, Director Atchison made a motion to accept the sanitary control easement, and to authorize the President and Secretary to execute same on behalf of the Board and the District. Director Wright seconded the motion, which unanimously carried.

Mr. Aranzales next reported on the status of the construction contract with Kean Construction, LLC ("Kean") for the Water Main Loop. He stated that the work areas along Loudon Drive were completed and restored. Mr. Aranzales next reviewed the attached correspondence sent to residents advising of the project. He next presented Pay Application No. 1, in the amount of \$147,316.50, and recommended payment of same. After discussion, Director Atchison made a motion to approve payment of Pay Application No. 1, in the amount of \$147,316.50, as discussed above. Director Wright seconded the motion, which unanimously carried.

Mr. Aranzales reported on the status of the construction contract with Site Work Contractors LLC (“SWC”) for sidewalk modifications at Inverness Crossing Blvd and Fanwick Drive. He stated that the construction is complete and that the District is withholding retainage until the completion of the punchlist items. Mr. Aranzales stated that HCED inspected the project earlier this month. He stated that the punchlist items are being addressed. Mr. Aranzales stated that Harris County Precinct 4 will install the crosswalk after Harris County acceptance.

Mr. Aranzales next reported on the well production issues and the construction of a new water well. He stated that the water well will be pulled in the spring for inspection to determine if the equipment is worn.

Mr. Aranzales next reported that V&S is awaiting approval from the Texas Commission on Environmental Quality (“TCEQ”) relative to the update to the Emergency Preparedness Plan.

The Board considered the status of an Application to the TCEQ for Extension of Commission Approved Bond Issue and Approval of Change in Scope of Project relative to the Series 2020 Bonds. Ms. Richardson stated that the TCEQ approved the Application for Extension of Commission Approved Bond Issue and is still reviewing the Approval of Change in Scope of Project.

ANNUAL APPROVAL OF WATER RATES FOR ALBURY MANOR PURSUANT TO WHOLESALE WATER SUPPLY AGREEMENT

Mr. Aranzales next reported on the approval of water rates for Albury Manor pursuant to the Wholesale Water Supply Agreement. He reviewed the attached analysis and stated that V&S updated the cost analysis for the Albury Manor interconnect to include the rate increase from the North Harris County Regional Water Authority and the water production, variable costs and fixed costs. Mr. Aranzales recommended that the District increase Albury Manor’s water rate to \$6.67 per 1,000 gallons of water, effective April 1, 2021. After discussion, Director Atchison made a motion to approve an increase in the Albury Manor water rate to \$6.67 per 1,000 gallons of water, effective April 1, 2021. Director Wright seconded the motion, which unanimously carried.

DISCUSS NEWSLETTER FOR DISTRICT CUSTOMERS

The Board next discussed a newsletter for District customers. Ms. Richardson reported on her discussions with Mr. Simon Van Dyk of Touchstone District Services regarding what services Touchstone can provide related to a newsletter. The Board concurred not to proceed with a newsletter at this time and requested that the item be removed from the agenda.

OPERATIONS REPORT

Mr. Shelnett presented and reviewed the operations report for March 2021, a copy of which is attached hereto as Exhibit I. He reported that the District accounted for 93% of the water pumped during the month of March and that the District’s facilities operated in compliance with its respective permits during the month.

Director Thomas asked about the utilization of the WWTP as it appears to be running higher than usual. Mr. Shelnett stated that he will review same to see if it is running higher than

normal for the past few months. Director Thomas also asked about advising residents not to flush wipes in toilets. Mr. Shelnutt stated that he is hopeful that the problem will resolve with the new lift pumps. The Board then discussed sending a text blast to residents advising not to flush wipes as the District is spending lots of money to unclog the pumps each month. The Board also discussed the text alert system and how to get more residents to sign up for the service. Director Fesler recommended adding a link to sign up for text alerts on the neighborhood Facebook page. Director Wright agreed to coordinate with Mr. Van Dyk to discuss same.

AUTHORIZE OPERATOR TO PREPARE CONSUMER CONFIDENCE REPORT

The Board next considered authorizing the operator to prepare a draft Consumer Confidence Report. After discussion, Director Atchison moved to authorize the operator to prepare a Consumer Confidence Report. Director Wright seconded the motion, which carried unanimously.

CYBERSECURITY AWARENESS TRAINING REQUIREMENTS

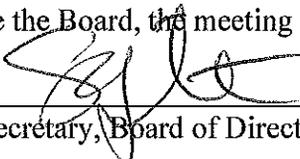
The Board next discussed cybersecurity awareness training requirements. Ms. Richardson stated that the Board should have received an email containing a cybersecurity awareness training video for Board members to complete prior to June 14, 2021. She stated that Board members should complete the training video and submit the certificate of completion to MRPC.

ITEMS FOR FUTURE AGENDAS

The Board next considered items for future agendas.

ADJOURN

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



Secretary, Board of Directors

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS

April 19, 2021

- A. Patrol Report
- B. Bookkeeper's Report
- C. Tax Assessor-Collector Report
- D. Resolution Authorizing an Additional Penalty on Real Property Taxes
- E. Refunding Effects
- F. Preliminary Official Statement
- G. Detention and Drainage Facilities Report
- H. Engineer's Report
- I. Operations Report