

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
January 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, 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
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"); 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"); Debbie Shelton of Masterson Advisors, LLC ("Masterson"); Sergeant Hight 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 meeting held on December 16, 2019. After discussion, Director Atchison made a motion to approve the minutes of the meeting of December 16, 2019, as presented. Director Solis seconded the motion, which unanimously carried.

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. Sergeant Hight reviewed the December 2019 Patrol Statistics, a copy of which is attached hereto as Exhibit A. He stated that the HCCO conducted another traffic initiative which resulted in fewer violations than were given during the previous initiative. He noted that the HCCO will continue to conduct the traffic initiatives monthly but will vary the days in order to keep people in compliance with the traffic laws. Sergeant Hight asked about the timing for the completion of construction of Champions Forest Drive within the District. Mr. Streeter stated that he is unsure

of the completion date. Sergeant Hight stated that the Albury Trails neighborhood recently installed license plate cameras within the neighborhood.

Sergeant Hight and Corporal Benson exited the meeting at this time.

APPROVAL OF INTERLOCAL AGREEMENT

The Board next considered the review and approval of an Interlocal Agreement ("Agreement") for Law Enforcement Services between Harris County and the District. Ms. Richardson reviewed the Agreement with the Board, noting that it provides for the same coverage as the current agreement, with a price increase of five percent (5%) from last year. She stated that the contract term will begin March 1st. After discussion, Director Thomas made a motion to approve the Agreement and to authorize the President and Secretary to execute same on behalf of the Board and the District. Director Atchison seconded the motion, which carried unanimously.

SOLID WASTE COLLECTION SERVICES

The Board next considered a discussion related to solid waste collection services for the District. Director Fesler stated that there have been several issues lately with garbage collection services by Texas Pride Disposal. Ms. Richardson noted that the District's contract with Texas Pride will expire May 31, 2020 and that prior to the expiration date, the District must provide Texas Pride with a thirty (30) day period to cure any deficiencies prior to terminating the contract. She noted that after May 31, 2020, the District may terminate the contract for any reason on thirty (30) days' written notice to Texas Pride. The Board then discussed the various recent missed collections. After discussion, Director Thomas made a motion to authorize MRPC to send Texas Pride notice of its requirement to cure performance deficiencies within thirty (30) days of such notice in order to avoid termination of the contract. Director Wright seconded the motion, which unanimously carried.

BOOKKEEPING REPORT

Ms. Viator presented and reviewed the bookkeeper's report dated January 20, 2020, 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 unanimously carried.

ADOPT RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH DISTRICT

Ms. Richardson next advised the Board that requirements in the Public Funds Investment Act require the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. She reviewed a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and the attached list of financial institutions, brokers and dealers attached to the Resolution as Exhibit "A", attached hereto as Exhibit C. Ms. Richardson noted that the District's bookkeeper prepared the list and recommended that the Board remove any institutions with which any of the directors has a relationship that could create a conflict of interest. After discussion, Director Thomas made a motion to approve the Resolution Adopting List of

Qualified Brokers Authorized to Engage in Investment Transactions with the District. Director Atchison seconded the motion, which carried unanimously.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Goin next presented and reviewed the tax assessor-collector's report dated December 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 Thomas seconded the motion, which unanimously carried.

ADOPT RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

Ms. Richardson next advised the Board that pursuant to Section 33.11 of the Property Tax Code, as amended, the Board is authorized to impose, under certain conditions, an additional penalty not to exceed twenty percent (20%) of the delinquent personal property taxes, penalty and interest due the District on taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent. Ms. Richardson discussed the penalties and presented a Resolution regarding same, which is attached hereto as Exhibit E. After discussion, Director Atchison made a motion to adopt the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes. Director Thomas seconded the motion, which carried unanimously.

AUTHORIZE TAX ASSESSOR-COLLECTOR TO IMPLEMENT SENATE BILL 2 REPORTING REQUIREMENTS

The Board next considered authorizing the tax assessor-collector to implement Senate Bill 2 reporting requirements. Ms. Richardson discussed the requirements of the new bill which include public reporting of certain financial information on a publicly available internet website. She noted that MRPC is working with BLI to implement the required reporting which will be available via a link on BLI's website.

DEVELOPER'S REPORTS

Mr. Streeter reported on the status of development within Albury Trails Estates. He stated that sales traffic normally picks up after the Super Bowl. He noted that he is negotiating with Harrisburg Homes to possibly accelerate its schedule and to build on the remaining lots.

FACILITY SITE MAINTENANCE

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

Mr. Scott reported that there is a Christmas tree floating in the Inverness Estates detention pond and that Champions will send a crew out tomorrow to retrieve the tree. He also noted that there is a lot of algae in the detention pond. He stated that he will bring a proposal to treat the algae to the next meeting for review and approval.

Mr. Scott reported that there is graffiti on the outfall channel at the Albury Trails detention basin. The Board concurred to leave the graffiti alone for now since it is not visible to the public.

Mr. Scott stated that there is one section in the fence between the Albury Trails detention pond and the Sugarberry neighborhood that needs to be re-secured and that Champions will handle same.

ENGINEER'S REPORT

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

Mr. Vogler reported on the status of plans and specifications for sidewalk modifications at Inverness Crossing Blvd. and Windbourne Drive. Mr. Aranzales stated that he spoke with the Harris County Engineering Department who stated that the County previously performed an intersection traffic control study which determined that a crosswalk was warranted at Fanwick Drive rather than Windbourne Drive. He asked whether the Board is still interested given Harris County's location determination. Ms. Richardson recommended that VDWV request a copy of the traffic study in question from the County. Mr. Vogler stated that VDWV will request a copy from Harris County.

Mr. Vogler next reported on the status of the Water Main Loop. He stated that VDWV is reviewing as-built plans received from Jones & Carter, Inc. ("J&C")

Mr. Vogler next reported on the status of the construction contract with D&L Quality Painting ("D&L") for the Water Plant No. 1 improvements. He stated that construction is complete and that the application for payment should be submitted through J&C.

Mr. Vogler reported on the proposed Unlimited Tax Bonds, Series 2020 and Series 2020A. He stated that the bond issue includes money for the WWTP expansion and that VDWV reviewed the re-rating report and would not recommend expansion at this time. He recommended delaying the sale of bonds approved for the expansion for a year so that the District can gather data on the WWTP and ensure that the WWTP is compliant post re-rating.

Mr. Vogler reported that VDWV toured the District's facilities with MOC on January 15, 2020 and everything appears to be in good shape. Director Atchison asked if VDWV will continue to monitor the plant flows and gas flows over the next few months. Mr. Vogler stated that VDWV will continue to monitor and track the usage especially as the summer approaches.

Mr. Vogler stated that VDWV received some records from J&C, but is still missing many items including the CAD and GIS files.

STATUS OF BOND APPLICATION REPORT

Ms. Richardson reported that the Texas Commission on Environmental Quality ("TCEQ") approved the Bond Application Report by an Order of the TCEQ dated January 2, 2020.

APPROVE ACTIONS IN CONNECTION WITH SALE OF UNLIMITED TAX BONDS, SERIES 2020 AND SERIES 2020A (“BONDS”)

Ms. Shelton next reviewed the draft Preliminary Official Statement and a draft Official Notices of Sale to be used in connection with the Series 2020 and Series 2020A Bonds, attached hereto as Exhibit H. She reported that application for rating has been made to Moody’s Investors Service and further noted that the potential purchaser may opt to purchase insurance for the Bonds. She also noted that the money for the WWTP expansion was removed from the bond issue. Following discussion, Director Wright made a motion to approve the offering documents and authorize the completion and distribution of same to the various potential underwriters, rating services and insurance companies, along with such other applications and documents required in connection with the District’s request for rating and insurance, in anticipation of a sale of the Bonds, and deem that such Preliminary Official Statement is final for all purposes, with the exception of any additional materials or information relating to subsequent material events, offering prices, interest rates, selling compensation, identity of the underwriters, aggregate principal amounts and other similar information, terms and provisions to be specified in the competitive bidding process. Director Thomas seconded the motion, which carried unanimously.

The Board next considered authorizing Masterson to advertise for the sale of the District’s Series 2020 and Series 2020A Bonds. After discussion, Director Wright made a motion to authorize Masterson to advertise for the sale of the District’s Series 2020 and Series 2020A Bonds in accordance with the Official Notices of Sale. Director Thomas seconded the motion, which carried unanimously.

DESIGNATION OF PAYING AGENT/REGISTRAR

The Board next considered the designation of a Paying Agent/Registrar in connection with the District’s Bonds. Ms. Shelton recommended that the Board designate Regions Bank as the Paying Agent/Registrar for the Series 2020 and Series 2020A Bonds since Regions Bank has served in such capacity on the District’s previous bond issues. After discussion, Director Wright made a motion to designate Regions Bank as Paying Agent/Registrar in connection with the Series 2020 and Series 2020A Bonds. Director Thomas seconded the motion, which carried unanimously.

ENGAGE AUDITOR FOR DEVELOPER REIMBURSEMENT AUDIT

The Board next considered the engagement of an auditor to perform a developer reimbursement audit in connection with the District’s Series 2020 and Series 2020A Bonds. Ms. Richardson stated that the District’s evergreen contract with McCall Gibson Swedlund Barfoot PLLC covers the developer reimbursement audit and no action is necessary for McCall to begin work on the audit.

The Board then discussed the possibility of scheduling a special meeting to consider bond sale items. The Board concurred to hold a special meeting on February 10, 2020, at 7:00 pm at the Staybridge Suites to consider bond sale items.

OPERATIONS REPORT

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

Mr. Shelnutt reported that the control board on the automatic transfer switch at lift station no. 2 has been replaced. He stated that MOC will add the item to the insurance claim.

Mr. Shelnutt reported that there was an imbalance with the voltage to the well motor. He stated that the well motor has been replaced and there is no longer an issue.

Mr. Shelnutt reported that Diesel Tech performs maintenance on the generator two (2) times per year. He stated MOC can perform additional maintenance if the Board requests same but noted that MOC exercises the generators monthly. The Board concurred that two (2) times per year is sufficient, and Mr. Vogler agreed with the Board.

Mr. Shelnutt stated that MOC was conducting a follow-up after a diesel clean and found some corrosion in one of the tanks at the WWTP. He stated that MOC is obtaining a price quote to replace the tank. Mr. Vogler recommended that MOC conduct a load bank test annually and explained the purpose of load bank testing. Mr. Shelnutt stated that he will obtain a price quote for load bank testing.

Mr. Shelnutt stated that there was a non-potable pump that was making noise and not functioning properly and that the pump has been pulled to replace the bearings. He stated that the other pump will also be pulled to replace its bearings.

AUTHORIZE OPERATOR TO PROVIDE REQUIRED INFORMATION TO DISTRICTS RECEIVING WATER THROUGH EMERGENCY INTERCONNECT RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing MOC to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. After discussion, Director Atchison made a motion to authorize MOC to provide the required information. *Director Thomas seconded the motion, which carried unanimously.*

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 next discussed the status of condemnation of the property.

CONSIDER CALLING DIRECTORS ELECTION

The Board next considered the calling of a Directors Election to be held on May 2, 2020, determining the procedure for giving notice of same, and the adoption of an Order in connection therewith, including the appointment of an agent for the District in connection therewith. Ms. Richardson presented the Order calling such election to be held on May 2, 2020, noting that the terms of office of Directors Fesler, Wright and Solis will expire in May 2020. Following discussion, Director Atchison made a motion to adopt the Order calling the election to give notice of the election by posting the notice at a public place in the District and by posting such notice at the location where notices of the meetings are posted, and to publish notice of the District's intent to opt out of the use of electronic voting machines. Director Solis seconded the motion, which carried unanimously. Ms. Richardson then advised the Board that, in accordance with Subchapter C of Chapter 2 of the Election Code, after 5:00 p.m. on February 21, 2020, the District may cancel the election if each candidate whose name is to appear on the ballot is unopposed, and the Board of Directors of the District can then declare such unopposed candidates to be elected.

CONSIDER APPOINTMENT OF AN AGENT

Ms. Richardson next advised the Board that an agent should be appointed to perform election duties in connection with the Director Election. After discussion on the matter, Director Atchison made a motion to adopt the Notice of Appointed Agent appointing the law office of Marks Richardson PC as election agent for the District and to authorize the President and Secretary to execute the Notice on behalf of the Board and the District. Director Solis seconded said motion, which unanimously carried.

CONSIDER COMPENSATION TO BE PAID

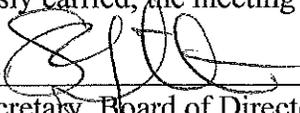
The Board next considered the compensation to be paid to the election officials. After discussion on the matter, Director Atchison made a motion to authorize the election officials to receive \$10.00 per hour to work the election. Director Solis seconded the motion, which carried unanimously.

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
January 20, 2020

- A. Patrol Report
- B. Bookkeeper's Report
- C. Resolution Adopting List of Qualified Brokers
- D. Tax Assessor-Collector Report
- E. Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- F. Detention and Drainage Facilities Report
- G. Engineer's Report
- H. Preliminary Official Statement/Notice of Sale
- I. Operations Report