

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
February 22, 2021

The Board of Directors of Harris County Municipal Utility District No. 401 met by teleconference on February 22, 2021, 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 via teleconference were Jeff Vogler and Andres Aranzales of Vogler and Spencer Engineering, Inc. ("V&S"); Scott Shelnett and Lonnie Wright of Municipal Operations & Consulting, Inc. ("MOC"); Les Griffith of Champions Hydro-Lawn, Inc. ("Champions"); Robin Goin of Bob Leared Interests, Inc. ("BLI"); Sergeant Barragan of the Harris County Precinct Four Constable's Office ("HCCO"); Roland Massey, resident; and Kara Richardson of Marks Richardson PC ("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 Barragan reviewed the Patrol Statistics, a copy of which is attached hereto as Exhibit A. He stated that there were two (2) thefts, one at the Timewise and the other at a construction site located at 9616 N. Grand Parkway W. Director Atchison stated that the Timewise is not located in the District. Sergeant Barragan stated that he will have the report updated.

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 meeting held on January 18, 2021. After discussion, Director Atchison made a motion to approve the minutes of the meeting of January 18, 2021, as presented. Director Thomas seconded the motion, which unanimously carried.

BOOKKEEPING REPORT

The Board deferred the bookkeeper's report until later in the meeting.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Goin next presented and reviewed the tax assessor-collector's report dated January 31, 2021, a copy of which is attached hereto as Exhibit B. 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 carried unanimously.

DELINQUENT TAX REPORT

Ms. Richardson next presented the delinquent tax report dated February 15, 2021, by the District's delinquent tax attorney, Perdue, Brandon, Fielder, Collins & Mott, LLP, a copy of which is attached hereto as Exhibit C.

CONSIDER EXEMPTIONS FROM TAXATION

Ms. Richardson next outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Sections 11.13 and 11.184 of the Property Tax Code. After discussion, Director Thomas moved that the Resolution Concerning Exemptions from Taxation, attached hereto as Exhibit D, be approved and adopted by the Board and District. Director Atchison 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 E. He stated that Champions last serviced the District at the end of January and is scheduled to service the District at the end of this week or early next week.

Mr. Griffith stated that there have been recent reports of four-wheeler activity at the Albury Trails Estates detention pond. He stated that the damage is on the top of the detention pond and not on the slopes of the pond. Mr. Griffith stated that Champions will be sure to add plenty of seed to the grass in the Spring.

Mr. Griffith next reported that the recent cold snap lead to the death of many fish in the detention ponds. Mr. Shelnutt stated that MOC collected and disposed of the dead fish from the ponds. Director Wright asked about MOC's cost for removal of the fish. Mr. Shelnutt stated that

there were three (3) or four (4) men collecting the fish and he estimated the cost at approximately \$800 to \$900. He stated that he will research the exact amount and report to the Board.

ENGINEER'S REPORT

Mr. Aranzales presented and reviewed the Engineer's Report, attached hereto as Exhibit F, 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 addressed comments from the City of Houston and resubmitted for approval. Mr. Aranzales next reported that V&S received the metes and bounds descriptions for the one hundred fifty foot (150') sanitary control easement. Ms. Richardson stated that the title report showed that the Inverness Property Owners Association ("POA") owns the subject property. She stated that MRPC will draft the easement document and forward same along with an explanation for the easement to the POA.

Mr. Aranzales next reported on the review of bids and award of contract for the Water Main Loop. He stated that V&S received bids for the project and recommends awarding the contract to the low bidder, Kean Construction, LLC ("Kean"), with a bid of \$577,013.00. He then presented an executed TEC Form 1295 from Kean. After discussion, Director Atchison made a motion to award the contract to Kean in the amount of \$577,013.00. Director Thomas seconded the motion, with unanimously carried.

Mr. Aranzales next presented a proposal from Phase Engineering, Inc., in the amount of \$750.00 for a Bald Eagle Nesting Survey relative to the Water Main Loop project. After discussion, Director Atchison made a motion to approve the proposal from Phase Engineering, Inc. for \$750.00. Director Thomas 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 also stated that the HCED post-construction inspection was postponed. He then 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. Mr. Aranzales stated that MRPC submitted the Application to the TCEQ, and it was declared administratively complete by the TCEQ on December 4, 2020. 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 relative to the Series 2020 Bonds.

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

The Board next considered the annual approval of water rates for Albury Manor pursuant to Wholesale Water Supply Agreement. Mr. Aranzales reported that V&S is in the process of assembling the revised water rates for Albury Manor pursuant to the Wholesale Water Supply Agreement and is awaiting information from MOC.

Ms. Richardson then reviewed correspondence from the NHCRWA dated February 2, 2021 regarding its adoption of an increase in well pumpage fees from \$4.25 per 1,000 gallons of water to \$4.60 per 1,000 gallons of water and surface water fees from \$4.70 per 1,000 gallons of water to \$5.05 per 1,000 gallons of water effective as of April 1, 2021, attached hereto as Exhibit G.

AMENDMENT TO DISTRICT'S RATE ORDER

The Board next considered an amendment to the District's Rate Order. Ms. Richardson discussed the Board's idea to provide for reduced water rates for water used by customers to fill their swimming pools. She stated that the District's current Rate Order only allows for a reduction in the water bill for leaks. Ms. Richardson stated that the Board can amend the Rate Order to include adjustments on the water usage for filling pools, retroactively. She stated that she will prepare draft language for water usage for filling pools and include safeguards against abusing the policy and inspection language for new pools only. The Board then discussed sending a mass notification to advise of the updated policies. Ms. Richardson recommended providing a newsletter link in a mass notification alert which provides updated information on the District's policies. The Board deferred action on the matter until next month's meeting.

OPERATIONS REPORT

Mr. Shelnett presented and reviewed the operations report for January 2021, 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 January and that the District's facilities operated in compliance with its respective permits during the month.

Mr. Shelnett next gave an update on the District's facilities during Winter Storm Uri. He stated that MOC prepared the facilities for the winter storm on February 13th and 14th. Mr. Shelnett stated that there was an engine control board issue with the generator and the control board was replaced. He stated that MOC will be load testing the generator tomorrow. Mr. Shelnett stated that the District lost water pressure and a notification of the low water pressure and boil water notice was sent via text message to customers. He stated that the boil water notice was lifted on February 19, 2021. Mr. Shelnett stated that there was no damage at the Water Plant. He stated that MOC changed out the batteries at the WWTP.

The Board next discussed the mass notification system through Touchstone District Services. Ms. Richardson stated that she thought all customers were automatically added to the

notification system with the option to opt-out at any time. She stated that it may be beneficial to send a separate notice in water bills regarding the notification system.

Mr. Shelnett next reported that the lift pumps are consistently getting clogged by wipes and that one lift pump is currently in the shop. He stated that a lift pump with a vortex impeller is approximately \$16,000 per lift pump and recommends purchasing two (2) pumps. After discussion, Director Thomas made a motion to approve the purchase of one (1) lift pump with vortex impeller at a cost not to exceed \$16,000. Director Atchison seconded the motion, which unanimously carried.

CONSIDER PROPOSALS FOR RENEWAL OF INSURANCE COVERAGE

The Board next considered proposals relative to the renewal of the District's insurance coverage for term expiring March 31, 2021. Ms. Richardson reviewed the renewal proposal received from Gallagher relative to property, comprehensive boiler and machinery, commercial general liability and hired car and non-ownership automobile liability, pollution liability, directors and officers liability, umbrella, public employee blanket crime, directors position schedule bond, tax assessor/collector bond, worker's compensation, and business travel coverage scheduled to expire on March 31, 2022. She noted that the premium increased by \$1,040 due to an increase in property values and that Gallagher has provided MRPC with an executed Form 1295 for the proposal. After discussion, Director Wright made a motion to approve the renewal proposals from Gallagher for the coverage's set out above, and to authorize the President to execute same on behalf of the Board and District. Director Atchison seconded the motion, which carried unanimously.

REVIEW OF ARBITRAGE REBATE CALCULATION REPORT

The Board next considered review of an arbitrage rebate report from Arbitrage Compliance Specialists, Inc. relative to the Series 2016 Bonds. Ms. Richardson reviewed the report with the Board, a copy of which is attached hereto as Exhibit I. There was no action to be taken by the Board.

BOOKKEEPING REPORT

The Board reviewed the bookkeeper's report dated February 15, 2020, a copy of which is attached hereto as Exhibit J. 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.

DISCUSS PURCHASE OF LAPTOPS FOR DISTRICT USE

The Board next discussed the purchase of laptops for District use. Ms. Richardson discussed that any devices purchased would be the property of the District and that she would recommend an agreement regarding use of the device. Director Wright stated that she would be interested in an iPad with video capabilities. After discussion, Director Wright made a motion to authorize Director Atchison to obtain pricing for iPads for review at next month's meeting. Director Fesler seconded the motion, which unanimously carried.

DISCUSS POLICIES FOR PAYMENT OF FEES OF OFFICE

The Board next discussed policies for the payment of fees of office, including a discussion regarding inspection of the District by Board members. Director Atchison asked whether the Board would like to continue to authorize District drive-throughs by Board members and District inspections of operations and engineering projects each month. Director Wright stated that she believes it should be up to each individual Board member whether they perform such duties. The Board concurred that this should be a once-a-month opportunity. After discussion, Director Thomas made a motion to authorize Board members to continue the practice of District drive-throughs and inspection of operations and engineering projects with each Director being authorized to perform such duties one time per month, unless otherwise approved by the Board. Director Fesler seconded the motion, which unanimously carried.

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.


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Secretary, Board of Directors

ATTACHMENTS TO MINUTES OF BOARD OF DIRECTORS
February 22, 2021

- A. Patrol Report
- B. Tax Assessor-Collector Report
- C. Delinquent Tax Report
- D. Resolution Concerning Exemptions from Taxation
- E. Detention and Drainage Facilities Report
- F. Engineer's Report
- G. Correspondence from NHCRWA
- H. Operations Report
- I. Arbitrage Compliance Report from ACS, Inc.
- J. Bookkeeper's Report