

**WOOD TRACE MUNICIPAL UTILITY DISTRICT NO. 1,
OF MONTGOMERY COUNTY, TEXAS**

**Minutes of Meeting of Board of Directors
October 12, 2021**

The Board of Directors of Wood Trace Municipal Utility District No. 1, of Montgomery County, Texas met in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of the Board of Directors, to-wit:

Mercedes C. Burns, President
Elias L. Hinojosa, Vice President
James Art Nicholson, Secretary
Dexter Braband, Assistant Secretary
David Ambrose, Assistant Secretary

all of whom were present, with the exception of Directors Hinojosa and Ambrose, thus constituting a quorum.

Also present were Kristen Scott of Bob Leared Interests ("Leared"); Mark Swanson of LJA Engineering, Inc. ("LJA"); Ben Childress of Environmental Allies; Diane Michaux and Tia Wright of Municipal Accounts & Consulting, L.P. ("MA&C"); Kirti Patel of Richfield Investment Corporation representing Primewood Investments, L.P. ("Primewood"); Julie Peak of Masterson Advisors LLC ("Masterson"); Preston Wittenburg of Friendswood Development Company ("Friendswood"); Jennifer Hanna of BKD, LLP ("BKD"); Josh Rowe and John Escamilla of Water District Management Company, Inc. ("WDM"); and Bryan Yeates, Eric Lai, and Kris Eddlemon of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared it open for such business as might regularly come before it.

PUBLIC COMMENTS

The Board began by opening the meeting for public comments. There were no comments from the public at this time.

APPROVAL OF MINUTES

As the next order of business, the Board considered approval of the minutes of the Board of Directors meeting held on August 10, 2021. After discussion of the minutes presented, Director Burns moved that the minutes be approved, as written. Director Nicholson seconded said motion, which unanimously carried.

**STATUS OF THE DISTRICT'S \$8,100,000 UNLIMITED TAX BONDS, SERIES 2021;
RATIFICATION OF CLOSING DOCUMENTS AND AUDIT REPORT**

The Board next considered the status of the District's \$8,100,000 Unlimited Tax Bonds, Series 2021 (the "Bonds") and the ratification of closing documents for the Bonds. In connection

therewith, Mr. Yeates reported that the District received approval of the transcript of proceedings relative to the sale of the Bonds from the Attorney General of the State of Texas, and that closing of the sale of the Bonds occurred on September 16, 2021, as scheduled.

The Board next considered the ratification of approval of closing documents and a draft audit report prepared by BKD, in connection with issuance of the Bonds and the disbursement of bond proceeds in accordance with same. In connection therewith, Mr. Yeates presented to the Board the closing documents. Ms. Hanna next reviewed in detail with the Board said audit report, a copy of which is attached hereto as **Exhibit A**, in connection with the disbursement of bond proceeds to Friendswood. She advised the Board of the procedures performed by BKD in connection with the preparation of the audit report and of the various documents reviewed in connection therewith. After review and discussion of the report, it was moved by Director Braband, seconded by Director Burns and unanimously carried, that the approval of the closing documents, the audit report, and disbursement of the Bond proceeds to Friendswood, be ratified and approved in all respects.

RATIFICATION OF FILING OF INTERNAL REVENUE SERVICE FORM 8038-G

The Board next considered ratification of authorizing the execution and filing of Internal Revenue Service Reporting Form 8038-G (the "Form") relative to the issuance of the Bonds. After discussion on the matter, it was moved by Director Braband, seconded by Director Burns and unanimously carried, that execution of the Form by the President on behalf of the Board and the District and the filing of same be ratified and approved in all respects.

CORRESPONDENCE FROM BOND COUNSEL REGARDING EXPENDITURE AND INVESTMENT OF BOND PROCEEDS

Mr. Yeates next presented correspondence from SPH, as bond counsel for the issuance of the Bonds, addressed to the Board regarding certain provisions of the federal tax law and regulations of the Internal Revenue Service pertaining to the expenditure and investment of proceeds of the Bonds and reviewed same in detail, a copy of which is attached hereto as **Exhibit B**. He advised the Board that certain periodic reviews and reports would be required to monitor compliance with the requirements set forth therein and that arbitrage rebate or yield reduction payments could be required to be made based on said review and reports. Mr. Yeates also advised the Board that the District's bookkeeper would monitor investment rates and that the District's financial advisor would review the debt service fund balance and coverage in connection with the annual tax rate recommendation. He advised the Board, however, that compliance with the requirements is ultimately the responsibility of the Board.

RATIFICATION OF AMENDMENT TO DISTRICT INFORMATION FORM

Mr. Yeates presented and discussed with the Board an Amendment to the Third Amended and Restated District Information Form relative to the issuance of the Bonds. After discussion regarding said Form, Director Braband moved that approval and filing of the Amendment to the Third Amended and Restated District Information Form be ratified and approved in all respects. Director Burns seconded the motion, which carried unanimously.

SUPPLEMENTAL AUDIT OF PAYMENTS TO DEVELOPER

The Board next considered authorizing BKD to prepare a supplemental audit for reimbursement to Friendswood relative to certain amounts withheld from the proceeds of the Bonds. Following discussion, Director Braband moved that BKD be authorized to prepare a supplemental audit report, as discussed. Director Burns seconded the motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR REPORT

Ms. Scott then presented the Tax Assessor-Collector Report for the month of September 2021, a copy of which is attached hereto as **Exhibit C**. After discussion concerning the Tax Assessor-Collector Report, Director Nicholson moved that said Report be approved and that the disbursements identified in the Report be approved for payment from the District's tax account. Director Braband seconded said motion, which carried unanimously.

AMENDMENT TO AMENDED AND RESTATED AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR

Ms. Scott next presented to and reviewed with the Board an Amendment to Amended and Restated Agreement for Services of Tax Assessor and Collector between the District and Leared (the "Amendment") related to the implementation of House Bill 1154, a copy of which is attached hereto as **Exhibit D**, and requested the Board's approval of same. Mr. Yeates informed the Board that SPH has reviewed the Amendment and recommends its approval. After discussion on the matter, Director Nicholson moved to (i) approve the Amendment, (ii) authorize the President to execute same on behalf of the Board and the District, and (iii) approve Leared's Texas Ethics Commission ("TEC") Form 1295 and authorize SPH to acknowledge receipt of same with the TEC. Director Burns seconded said motion, which unanimously carried.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Yeates next presented the District's delinquent tax report dated September 14, 2021, from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached as **Exhibit E**, and noted that no action was required on the matter at this time.

PUBLIC HEARING AND LEVY OF THE DISTRICT'S 2021 TAX RATE

The Board conducted a hearing regarding the imposition of a proposed debt service tax rate and a maintenance tax rate for 2021. There being no comments presented from the public, such hearing was then closed.

The Board then discussed the setting of the 2021 tax rate. It was confirmed that the notice had been published in accordance with all legal requirements and as directed at the previous meeting. After discussion on the matter, Director Burns moved that: (i) the Board levy a 2021 debt service tax rate of \$0.90 per \$100 of assessed valuation and a 2021 maintenance tax rate of \$0.38 per \$100 of assessed valuation, resulting in a total 2021 tax rate of \$1.28 per \$100 of assessed valuation, and (ii) the Order Levying Taxes attached hereto as **Exhibit F** be adopted in connection

therewith, and the President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Nicholson seconded said motion, which carried unanimously.

AMENDMENT TO DISTRICT INFORMATION FORM

Mr. Yeates presented and discussed with the Board an Amendment to the Third Amended and Restated District Information Form relative to the District's 2021 tax rate. After discussion, Director Nicholson moved that the Amendment to the Third Amended and Restated District Information Form be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Burns seconded the motion, which carried unanimously.

BOOKKEEPING REPORT

Ms. Michaux next reviewed the Bookkeeping Report dated October 12, 2021, a copy of which is attached as **Exhibit G**, including the disbursements presented for payment from the District's various accounts. After discussion on the matter, it was moved by Director Nicholson that said Bookkeeping Report be approved and that the disbursements identified therein be approved for payment, with the exception of check nos. 5000 and 5001, which were voided. Director Burns seconded said motion, which carried unanimously.

Ms. Michaux additionally presented and reviewed with the Board a Quarterly Investment Inventory Report (the "Report") for the reporting period ended August 31, 2021, a copy of which is attached to the Bookkeeping Report. After further discussion of the Report and upon motion duly made by Director Nicholson, seconded by Director Burns and unanimously carried, the Report was approved and the District's Investment Officers were authorized to execute same on behalf of the Board and the District.

STATUS OF COMPLIANCE BY THE DISTRICT WITH TEXAS GOVERNMENT CODE, CHAPTER 2265 RELATIVE TO ENERGY REPORTING

The Board considered the status of compliance by the District with Texas Government Code, Chapter 2265 relative to energy reporting requirements. Mr. Yeates advised that the District must report its annual electricity usage and cost and make said report accessible to the public. Ms. Michaux advised that MA&C will obtain a copy of same for review by the Board next month.

PRESENTATION BY MUNICIPAL FINANCIAL SERVICES, LLC

The Board deferred the presentation by Municipal Financial Services, LLC related to the preparation of enhanced bookkeeping reports until the next meeting.

ENGINEERING REPORT

Mr. Swanson next presented and reviewed with the Board a written Engineering Report, a copy of which is attached hereto as **Exhibit H**. Following discussion, it was moved by Director Nicholson, seconded by Director Braband and unanimously carried, that all action items in the Engineering Report be approved, as recommended by LJA, including the District's concurrence with the following: (i) award of a contract to Gilleland Smith Construction, Inc. in the amount of

\$2,810,109.00 for the expansion of the Wastewater Treatment Plant and Lift Station No. 1, (ii) payment by Friendswood of Pay Estimate No. 5 and Final in the amount of \$7,005.89, submitted by Principle Services, Ltd. for water, sanitary sewer, and drainage facilities to serve Wood Trace, Section 13, (iii) payment by Friendswood of Pay Estimate No. 5 in the amount of \$235,059.09, submitted by C.E. Barker, LTD. for water, sanitary sewer and drainage facilities to serve Wood Trace, Sections 14 and 15, (iv) approval of roadway repairs within the District by Beyer Construction, LLC, in the amount of \$2,550.00, and (v) acceptance of a Conveyance of Utility Facilities in connection with water, sanitary sewer, and drainage facilities to serve Wood Trace, Section 13.

STORMWATER MANAGEMENT PROGRAM

The Board considered the status of the District's Stormwater Management Program. The Board noted that a representative of Storm Water Solutions, LP was not present at the meeting, and deferred further discussion regarding this matter.

DEVELOPERS' REPORTS

The Board next considered the Developers' Reports. Mr. Patel advised that he had nothing new to report to the Board at this time. Mr. Wittenburg then updated the Board on the status of development within the District by Friendswood.

LANDSCAPE ARCHITECT REPORT

The Board next considered the landscape architect report. It was noted that a representative of Kudela & Weinheimer was not present at the meeting, and deferred further discussion regarding the matter.

REPORT FROM ENVIRONMENTAL ALLIES

Mr. Childress next presented and reviewed a report with regard to mowing and maintenance of District drainage and detention areas, a copy of which report is attached hereto as **Exhibit I**. No action was taken by the Board at this time.

OPERATION AND MAINTENANCE REPORT

Mr. Escamilla presented and reviewed the Operation and Maintenance Report for the month of August 2021, a copy of which is attached hereto as **Exhibit J**. He advised that the auto-dialer located at offsite Lift Station No. 1 needs to be replaced, and that cost to replace the auto-dialer is approximately \$3,025.00. Following discussion, Director Nicholson moved that WDM be authorized to replace the auto-dialer located at offsite Lift Station No. 1, as discussed. Director Braband seconded the motion, which unanimously carried.

Mr. Yeates next presented and reviewed with the Board a memorandum prepared by SPH concerning House Bill No. 872, which bill relates to the implementation of customer confidentiality requirements and the authorization of giving notice in connection with same. A copy of the memorandum is attached hereto as **Exhibit K**. He summarized the bill's requirements and options for the District's compliance with same. Following discussion, Director Nicholson moved that

notice of a customer's right to request disclosure of his or her personal and billing information, along with a form to accomplish same, be included on all District water bills going forward. Director Braband seconded the motion, which unanimously carried.

SENATE BILL NO. 3

A discussion next ensued regarding the implementation of Senate Bill No. 3 from the 87th Legislative Session. The Board considered (i) amending the District's Rate Order to include certain language regarding billing due to extreme weather emergencies, (ii) authorizing the District's operator to prepare and file an Emergency Preparedness Plan by the March 1, 2022 deadline, and (iii) authorizing submission of contact information and/or descriptive information to each electric utility that provides transmission and distribution service to the District and each retail provider for determination of District facilities that qualify for critical load status. After discussion on the matter, Director Burns moved that WDM be authorized to (i) prepare and file an Emergency Preparedness Plan by the March 1, 2022 deadline, and (ii) submit contact information and/or descriptive information to each electric utility that provides transmission and distribution service to the District and each retail provider for determination of District facilities that qualify for critical load status. Director Nicholson seconded the motion, which carried unanimously.

The Board next considered amendment of the District's Rate Order to address billing procedures during extreme weather emergencies and increase in the pumpage fees charged by the San Jacinto River Authority ("SJRA"). In that regard, Mr. Yeates reported that the prior pumpage fee imposed by the SJRA was \$2.73 per 1,000 gallons of water pumped and that, effective September 1, 2021, the rate increased to \$2.88 per 1,000 gallons of water pumped. After discussion, it was moved by Director Burns, seconded by Director Nicholson and unanimously carried, that the District's Rate Order be amended to adopt a pumpage fee in the amount of \$3.02 per 1,000 gallons of water pumped and to include certain language regarding billing during extreme weather emergencies, with said amended Rate Order, attached hereto as **Exhibit L**, effective as of October 12, 2021, and that any and all rate orders heretofore adopted by the Board be revoked.

UTILITY COMMITMENTS

Mr. Yeates reported that the District has not received any requests for utility commitments.

Ms. Peak exited the meeting at this time.

ORDER ESTABLISHING OFFICE AND MEETING PLACES OF BOARD OF DIRECTORS OUTSIDE THE DISTRICT

The Board next considered the adoption of an Order Establishing Office and Meeting Places of Board of Directors Outside the District (the "Order"), located at 1300 Post Oak Boulevard, Suites 2400 and 2500, Houston, Texas 77056, attached hereto as **Exhibit M**. After consideration of the matter, it was moved by Director Nicholson, seconded by Director Braband, and unanimously carried that (i) said order be passed and adopted, and (ii) the Secretary be directed to execute and SPH be directed to publish notice of designation of such office and meeting place outside the boundaries of the District, and to file a copy of the Order with the Texas Commission on Environmental Quality.

ARBITRAGE ANALYSIS REPORT; ENGAGEMENT OF ARBITRAGE COMPLIANCE SPECIALISTS, INC.

Mr. Yeates next presented to and reviewed with the Board an Annual Maintenance for Arbitrage Analysis Report prepared by Municipal Risk Management Group, LLC ("MRMG"), a copy of which report is attached hereto as **Exhibit N**. In connection with the District's \$3,900,000 Unlimited Tax Bonds, Series 2017 ("Series 2017 Bonds"), he advised that a 5th Year Arbitrage Rebate Report is due no later than 60 days after April 19, 2022, as reflected in the Annual Maintenance for Arbitrage Analysis Report. Mr. Yeates then presented for the Board's approval an engagement letter for arbitrage rebate services from Arbitrage Compliance Specialists, Inc. ("ACS") relative to the District's Series 2017 Bonds, a copy of which engagement letter is included with **Exhibit N**. He stated that the fee for said service is \$2,950, and that if additional services are necessary, they will be performed at the company's standard hourly rates as set forth in the engagement letter. After discussion of the matter, Director Nicholson moved that the Board (i) approve the engagement letter from ACS for arbitrage rebate services, (ii) authorize the President to execute same on behalf of the Board and the District, and (iii) approve TEC Form 1295 from ACS and authorize SPH to acknowledge receipt of same with the TEC. Director Braband seconded said motion, which unanimously carried.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. Mr. Yeates advised that the District's Resolution Adopting Temporary Policies and Procedures in Response to COVID-19 Pandemic expired on September 1, 2021.

FUTURE AGENDA ITEMS

The Board next considered matters for possible placement on future agendas. There were no other future agenda items to be discussed other than matters previously noted during the meeting.

ADJOURNMENT

There being no further business to come before the Board, it was moved by Director Nicholson, seconded by Director Braband and unanimously carried, that the meeting be adjourned.

/s/ James Art Nicholson
Secretary, Board of Directors

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LIST OF ATTACHMENTS

<u>Exhibit A</u>	Draft Developer Reimbursement Audit in connection with the Series 2021 Bonds
<u>Exhibit B</u>	SPH Correspondence regarding Series 2021 Bonds
<u>Exhibit C</u>	Tax Assessor-Collector Report
<u>Exhibit D</u>	Amendment to Amended and Restated Agreement for Services of Tax Assessor and Collector
<u>Exhibit E</u>	Delinquent Tax Report
<u>Exhibit F</u>	Order Levying Taxes
<u>Exhibit G</u>	Bookkeeper's Report
<u>Exhibit H</u>	Engineering Report
<u>Exhibit I</u>	Environmental Allies' Report
<u>Exhibit J</u>	Operation and Maintenance Report
<u>Exhibit K</u>	Memorandum – House Bill No. 872
<u>Exhibit L</u>	Rate Order
<u>Exhibit M</u>	Order Establishing Office and Meeting Places of Board of Directors Outside the District
<u>Exhibit N</u>	Annual Maintenance for Arbitrage Analysis Report prepared by Municipal Risk Management Group, LLC; Engagement Letter for arbitrage rebate services from Arbitrage Compliance Specialists, Inc.