

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 401
Minutes of Meeting of Board of Directors
July 17, 2023

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 July 17, 2023, 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
Roland Massey, 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; Robin Goin of Bob Leared Interests, Inc.; Deputy Martinez of Harris County Constable’s Office (“HCCO”); and Blake Ellis 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. Deputy Martinez reviewed the Patrol Statistics, a copy of which is attached hereto as Exhibit A.

PUBLIC COMMENT

The Board next considered comments from the public. No one present had anything new to report.

APPROVE MINUTES

The Board considered approval of the minutes of the Board meetings held on May 5, 2023, and June 19, 2023. After discussion, Director Thomas made a motion to approve the minutes of the meeting of June 19, 2023, as presented. Director Atchison seconded the motion, which unanimously carried. The Board deferred action on the minutes of the meeting on May 5, 2023, until next month’s meeting.

ENGAGE AUDITOR

The Board next considered the engagement of an auditor to prepare the District's audit report for the fiscal year ending July 31, 2023. Mr. Ellis reported that the District has an evergreen contract with McCall Gibson Swedlund Barfoot PLLC ("McCall") and therefore does not need to formally approve the engagement. He reviewed an audit continuance letter received from McCall, a copy of which is attached hereto as Exhibit B, and noted that McCall will begin preparation of the audit report to present to the Board in a few months.

BOOKKEEPING REPORT

Ms. Viator presented and reviewed the bookkeeper's report dated July 17, 2023, a copy of which is attached hereto as Exhibit C. After discussion, Director Atchison made a motion to approve the bookkeeper's report and to authorize payment for the invoices listed therein. Director Wright seconded said motion, which carried unanimously.

ADOPT OPERATING BUDGET

Ms. Viator presented and reviewed a proposed operating budget for the District's fiscal year ending July 31, 2024. She reviewed the forecast column of the operating fund budget comparison and recommended adopting same until next month at which time she will present an amended operating budget for approval. After discussion, Director Atchison moved to adopt the forecast column of the operating budget comparison, as presented. Director Wright seconded said motion, which unanimously carried.

DISCUSS INCREASE IN FEES OF OFFICE AND ADOPTION OF A RESOLUTION

The Board next considered the review and approval of a Resolution Authorizing Payment of Fees of Office. Mr. Ellis stated that House Bill 2815 adopted by the 88th Texas Legislature amended Section 49.060 of the Texas Water Code to allow districts to increase the daily fees of office limit to an amount not to exceed the amount of the Legislative per diem set by the Texas Ethics Commission. He noted that this amount is currently set at \$221 per day and that such amount is indexed for inflation. After discussion, Director Atchison made a motion to approve the Resolution Authorizing Payment of Fees of Office, attached as Exhibit D, and to authorize the President and Secretary to execute same on behalf of the Board and the District. Director Massey seconded the motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Goin presented and reviewed the tax assessor-collector's report dated June 30, 2023, a copy of which is attached hereto as Exhibit E. 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 carried unanimously.

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 F. He stated that the most recent service of the District was completed on July 6, 2023.

Mr. Griffith reported that the herbicide treatment at the Inverness Estates detention pond has been scheduled for this week or next week. Director Atchison requested that Champions not do any treatments with noxious odors or fumes around any holidays or times when residents will be outside.

Mr. Griffith reported that the repair of the fence at the Reserve at Inverness is pending a decision on the security cameras.

ENGINEER'S REPORT

Mr. Aranzales presented and reviewed the Engineer's Report, attached hereto as Exhibit G.

Mr. Aranzales reported on the status of the construction contract with Wright Solutions, LLC for the addition of slide gates and keypad at WWTP. He then presented the construction contract for execution by the President.

Mr. Aranzales reported on the status of the construction contract with Wright Solutions, LLC for District park rules signage and fencing. He then presented the construction contract for execution by the President. Mr. Aranzales noted that Touchstone completed the park rules host site and QR code.

Mr. Aranzales reported on the status of the construction contract with Wright Solutions, LLC for the concrete trail widening for Constable access. He then presented the construction contract for execution by the President.

Mr. Aranzales reported on the status of the construction contract with Alsay Incorporated for Water Well No. 2. He stated that the well passed the final performance tests conducted on July 12, 2023. Mr. Aranzales then presented draft correspondence to Alsay giving a ten (10)-day Notice of Default and Liquidated Damages in the amount of \$1,500 per day. After discussion, Director Wright made a motion to authorize V&S to send the Notice to Alsay, as discussed above. Director Fesler seconded the motion, which unanimously carried.

Mr. Aranzales then presented Pay Application No. 12 in the amount of \$226,122.75 and recommended payment of same. After discussion, Director Atchison made a motion to approve payment of Pay Application No. 12 in the amount of \$226,122.75. Director Thomas seconded the motion, which unanimously carried.

Mr. Aranzales reported on the status of the construction contract with Aber Fence for the Inverness detention pond fence fortification. He stated that the contractor is awaiting a decision from the Board on the installation of security cameras before completing the fence repairs.

Mr. Aranzales next reported on the Inverness Pond security cameras. He presented a proposal from Zaladium in the amount of a \$1,275 one-time installation fee and \$2,550 per month monitoring and service fee and reviewed same with the Board. The Board agreed to decline the proposal from Zaladium and expressed interest in exploring other options.

Mr. Aranzales reported on the synthetic turf inquiries at Shieldhall Lane and Wixford Lane. He stated that the suppliers were unable to provide any technical specifications and he is concerned that the turf will come off with the amount of runoff going through the subject area. He noted that he does not recommend moving forward with this option. The Board then discussed different options for how to deal with the issue. Mr. Shelnuttt stated that the District has a two-inch (2") water meter at Wixford Lane that could be used by the District to build an irrigation system. Mr. Aranzales stated that the District could add a similar water meter on Shieldhall Lane. Mr. Shelnuttt stated that there is not as much grass in that area. Director Massey recommended paving the slope up to the property line. Mr. Griffith stated that he could explore some options for this concept, but Director Atchison and Mr. Aranzales stated that this would not be favored by the homeowners. Mr. Aranzales stated that he will obtain quotes to dig out the existing grass and six inches (6") of soil and install irrigation and new grass in both locations. The Board also discussed areas to be mowed by the District versus the Inverness Property Owners Association. After discussion, Director Atchison made a motion to authorize V&S to obtain quotes for installation of irrigation and new grass at Shieldhall Lane and Wixford Lane. Director Thomas seconded the motion, which unanimously carried.

Mr. Aranzales next reported on the updated future Willow Creek Trail Extension for Phases 3 and 4. He stated that the combined construction cost could be lower if they complete both phases at once, which would total approximately \$850,000. After discussion, Director Atchison made a motion to authorize V&S to get a topographic survey for Phases 3 and 4 and begin preparation of design plans for Phases 3 and 4. Director Massey seconded the motion, which unanimously carried.

Mr. Aranzales next reported on Precinct 3 request for "No Parking" signs along Inverness Crossing Blvd. He stated that the traffic engineer denied permanent signs due to the swim meet being an isolated event. Mr. Aranzales stated that Precinct 3 recommends coordinating with HCCO to set cones prior to an event and enforcing during the event. He noted that Precinct 3 added restriping of crosswalks along Inverness Blvd. to their schedule.

The Board next considered approval of amended park rules and authorizing the Board to publish rules in accordance with Section 54.207 of the Texas Water Code. Mr. Ellis presented the attached Rules and Regulations for Parks Owned and Operated by the District and reviewed same with the Board. He discussed the reason for the substantive summary and how following the statute allows for the rules to be enforceable by HCCO. After discussion, Director Atchison made a motion to approve the Rules and Regulations for Parks Owned and Operated by the District, and authorized MRPC to publish the rules in accordance with Section 54.207 of the Texas Water Code. Director Massey seconded the motion, which unanimously carried.

OPERATIONS REPORT

Mr. Shelnuttt presented and reviewed the operations report for June 2023, 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 June and that the District's facilities operated in compliance with its respective permits during the month.

Mr. Shelnutt reported that a diesel tank needs to be replaced at the WWTP. He presented a quote in the amount of \$22,850 for the diesel tank replacement which includes a crane rental, new piping to connect, removal of the old tank, transferring fuel, centrifuging fuel, and the disposal of the old tank. After discussion, Director Atchison made a motion to approve the quote in the amount of \$22,850 for the diesel tank replacement. Director Thomas seconded the motion, which unanimously carried.

Mr. Wright next requested that the Board authorize MOC to turn over two (2) delinquent accounts in the total amount of \$117.17 to Collections Unlimited ("CU"). After discussion, Director Atchison moved to authorize MOC to turn over the two (2) subject accounts to CU, as set out above. Director Thomas seconded the motion, which unanimously carried.

The Board next considered a request from MOC for a rate increase in the labor rates based on the CPI, including the approval of a Fifth Amendment to Professional Services Agreement between the District and MOC. Mr. Wright presented the attached Amendment and reviewed same with the Board. He then reviewed the new proposed rates attached as Exhibit A to the Amendment. After discussion, Director Atchison made a motion to approve the Fifth Amendment to Agreement between the District and MOC, and authorize the President and Secretary to execute same on behalf of the Board and the District. Director Thomas seconded the motion, which unanimously carried.

STATUS OF INSTALLATION OF SIGNS ALONG INVERNESS CROSSING BLVD.

The Board next deferred a discussion on the status of installation of signs along Inverness Crossing Blvd. as same was previously discussed under the engineer's report.

STATUS OF AGREEMENT WITH INVERNESS PROPERTY OWNERS ASSOCIATION RELATIVE TO FIREWORKS SHOW

The Board next considered the status of an Agreement with the Inverness Property Owners Association ("POA") relative to fireworks show. Mr. Ellis discussed how the bylaws of the POA prohibit fireworks and that the District should not knowingly enter into an Indemnity Agreement that is in conflict with the POA bylaws. Director Atchison stated that he would reach out to the POA to discuss the matter. Director Atchison then mentioned that the streetlights are not working and the POA is not maintaining the lights. He stated that with the District paying for security in the neighborhood, the POA should be working to keep the lights on at a minimum. He stated that he is questioning whether the District should share security costs with the POA. Director Wright stated that she does not wish to put the District at odds with the POA and would not support sharing security costs. Director Massey stated that he would contact the new board member of the POA and discuss the matter.

CONSIDER REVIEW OF PROPOSALS FOR INSTALLATION OF SECURITY CAMERAS AND EQUIPMENT

The Board next deferred consideration of the review of proposals for the installation of security cameras and equipment in the District as same was discussed under the engineer's report.

CONSIDER REVIEW OF UPDATE OF 88TH TEXAS LEGISLATURE

Mr. Ellis next presented and reviewed the attached Legislative Update of the 88th Regular Session of the Texas Legislature prepared by MRPC.

AMENDMENT TO SECOND AMENDED AND RESTATED DISTRICT INFORMATION FORM WITH MAP ATTACHED

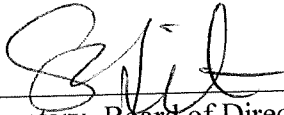
Mr. Ellis next presented and reviewed with the Board an Amendment to the Second Amended and Restated District Information Form in connection with the recent legislative updates. After discussion, Director Thomas moved to approve the amendment and that the Board members present be authorized to execute same. Director Massey seconded said 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.



Secretary, Board of Directors