

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 36,
OF HARRIS COUNTY, TEXAS

Minutes of Meeting of Board of Directors
January 13, 2022

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 36, of Harris County, Texas (the "District"), convened in regular session, open to the public, on January 13, 2022, at 12:00 noon, at 1300 Post Oak Boulevard, Suite 2500, Houston, Texas, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Chris Mayeu	President
Gina Angulo	Vice President
George Peckham	Secretary/Treasurer
Rose Mary Bundscho	Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were Keith Arrant of Municipal Operations & Consulting, Inc. ("Municipal Operations"); Darrell Hawthorne and Rahi Patel of Municipal Accounts & Consulting, L.P. ("MA&C"); Eric Johnson of IDS Engineering Group ("IDS"); Tim Spencer of Ad Valorem Appraisals, Inc. ("Ad Valorem"); Sherri Greenwood of BKD, LP ("BKD"); and Daniel Ringold, Eric Lai and Peyton Ellis 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 COMMENT

There were no comments received from the public.

MINUTES OF MEETING

The Board considered approval of the minutes of its meeting held on November 11, 2021. After discussion, Director Angulo moved that the minutes of the meeting held on November 11, 2021, be approved as presented. Director Bundscho seconded said motion, which unanimously carried.

**APPROVAL OF AUDIT REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021
AND AUTHORIZE EXECUTION OF ANNUAL FILING AFFIDAVIT**

The Board considered the approval of an audit report prepared for the District's fiscal year ended September 30, 2021, and authorizing the execution of an Annual Filing Affidavit in connection therewith. Ms. Greenwood presented and reviewed a draft of the District's audit report prepared by BKD for the fiscal year ended September 30, 2021, a copy of which is attached hereto as **Exhibit A**. Following discussion concerning the audit presented, Director

Angulo moved that, subject to SPH's further review and comment, the audit report for the fiscal year ended September 30, 2021, be approved, that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and District, and that the audit report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality. Director Bundscho seconded said motion, which unanimously carried.

Ms. Greenwood presented the Board with a draft Management Letter prepared by BKD concerning the Board's internal controls over financial reporting (the "Management Letter"), attached hereto as **Exhibit B**. Ms. Greenwood advised the Board that the Management Letter is being submitted in connection with the requirements of the Statement on Auditing Standards No. 115 and includes Management's Response to said letter. After discussion, it was moved by Director Angulo, seconded by Director Bundscho and unanimously carried that the draft Management Response be approved, as presented, and that same be included in the final Management Letter. Ms. Greenwood additionally presented for the Board's review correspondence from BKD, a copy of which is included with **Exhibit C**, summarizing various information that BKD is required to communicate to the Board as part of its audit of the District's financial statements.

FINANCIAL REPORT FILING AND METHOD OF COMPLIANCE

Mr. Ringold discussed with the Board the legal requirements of Section 140.008, Texas Local Government Code, which requires political subdivisions to file certain financial information with the Texas Comptroller of Public Accounts (the "Comptroller") within 210 days of the District's fiscal year end. He advised that such information may be submitted as a separate report, or as an alternative, districts subject to Chapter 49 of the Texas Water Code, including the District, may submit to the Comptroller copies of their annual audit. Mr. Ringold then advised that the Board will need to select a method of compliance when it prepares its annual audit. Upon a motion made by Director Angulo, seconded by Director Bundscho, and carried unanimously, the Board elected to file its annual audit for the fiscal year ended September 30, 2021, with the Comptroller.

SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Ringold reminded the Board that the District is required to submit annually information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Mr. Ringold advised the Board that, BKD, the District's auditor, has previously completed this work per its annual audit engagement letter. He noted that the work will be performed on an hourly basis at an estimated cost of \$400-\$500. Following discussion, it was moved by Director Angulo, seconded by Director Bundscho, and unanimously carried that BKD be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Information Database.

BOOKKEEPER'S REPORT

Mr. Patel presented to and reviewed with the Board a Bookkeeper's Report dated January 13, 2022, including the checks presented for payment. A copy of such Bookkeeper's Report is attached hereto as **Exhibit D**. Following discussion, it was moved by Director Angulo that said report be approved, and that the disbursements identified therein be approved for payment. Director Bundscho seconded the motion, which unanimously carried.

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

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Ringold advised that, pursuant to the Public Funds Investment Act ("PFIA"), the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit E**. Mr. Ringold further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Angulo moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the President and Secretary be authorized to execute same. Director Bundscho seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Spencer presented to and reviewed with the Board written Tax Collector's Reports regarding tax collections within the District for the months ended November 30, 2021 and December 31, 2021, including a list of bills and charges to be paid out of the District's Tax Account, copies of which are attached hereto as **Exhibit F**. Following discussion, Director Angulo moved that the Tax Collector's Reports and the disbursements reflected therein be approved. The motion was seconded by Director Bundscho and unanimously carried.

DELINQUENT TAX COLLECTIONS REPORT

In connection with the District's delinquent tax collections, Mr. Ringold presented to and reviewed with the Board a written Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins, & Mott, L.L.P., dated December 9, 2021, a copy of which is attached hereto as **Exhibit G**. He noted that there were no items on the report requiring action by the Board at this time.

EXEMPTIONS FROM TAXATION FOR 2022

The Board considered granting exemptions from taxation for 2022, and the adoption of a Resolution in connection therewith. Mr. Ringold outlined for the Board the various tax exemptions provided for under the Texas Constitution and the Texas Tax Code, including for all residential homesteads and for residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older. He stated that the District has previously adopted a 20% general residential homestead tax exemption. Following discussion, Director Peckham moved that the District (a) grant the 20% general residential homestead exemption, and (b) not grant any additional residential homestead exemption for those persons under a disability or 65 years of age or older, and that the Resolution attached hereto as **Exhibit H** relative to same be approved and adopted by the Board and the District. Director Bundscho seconded said motion, which carried by a vote of three (3) in favor, Director Angulo opposed, and none abstaining.

RESOLUTION AUTHORIZING ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes. Mr. Ringold advised that the Board is authorized to impose on April 1, 2022, under certain conditions, an additional penalty not to exceed twenty percent (20%) of personal property taxes, penalty and interest due the District on taxes that become delinquent as of February 1, 2022, and remain delinquent sixty (60) days after the date on which they become delinquent. After discussion on the matter, Director Angulo moved that a Resolution Adopting an Additional Penalty on Delinquent Personal Property Taxes of twenty percent (20%) be adopted by the Board and District, and that the District's delinquent tax attorney be authorized to collect such delinquent personal property taxes. Director Bundscho seconded said motion, which carried unanimously. The Resolution is attached hereto as **Exhibit I**.

OPERATIONS REPORT

Mr. Arrant presented to and reviewed with the Board a written Operations Report for the month of November, 2021, a copy of which is attached hereto as **Exhibit J**. In connection therewith, Mr. Arrant advised that Harris County Municipal Utility District No. 221 ("No. 221") has requested to receive water through the District's interconnect during maintenance of the No. 221 Water Plant. He further advised that MOC will monitor the amount of water provided to No. 221 through the interconnect during the time of maintenance and will submit an invoice for such amount to No. 221 for payment.

Mr. Arrant requested that an item be added to the February 10, 2022, meeting agenda to consider approval of an amendment to the Professional Services Agreement between the District and MOC.

CONSUMER CONFIDENCE REPORTS

The Board considered authorizing its operator to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Mr. Ringold explained that, pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2022, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during 2021. After discussion, Director Angulo moved that the operator be authorized to provide such information to entities receiving water from the District via interconnect in 2021. The motion was seconded by Director Bundscho and carried by unanimous vote.

RENEWAL OF DISTRICT'S INSURANCE COVERAGES AND AUTHORIZE SOLICITATION OF PROPOSALS FOR SAME

The Board considered authorizing solicitation of proposals for renewal of the District's insurance coverages. Mr. Ringold advised the Board that the District's current coverage is with Arthur J. Gallagher & Co. ("Gallagher") and will expire on March 31, 2022. After discussion, Director Angulo moved that SPH be authorized to solicit a proposal for renewal of the District's insurance coverage from Gallagher for review and consideration by the Board at its next meeting. Director Bundscho seconded the motion, which unanimously carried.

DISCUSSION REGARDING GENERATOR PERFORMANCE DURING WINTER STORM URI

Mr. Ringold and Director Mayeu advised that they had nothing new to report regarding the status of the District's receipt of revenue for operation of the District's generator at its Water Plant during Winter Storm Uri.

ENGINEER'S REPORT

Mr. Johnson presented to and reviewed with the Board a written Engineer's Report dated January 13, 2022, concerning engineering projects within the District, a copy of which is attached hereto as **Exhibit K**.

In connection with the Phase I Wastewater Collection System Rehabilitation ("Phase I"), Mr. Johnson advised the Board that the rehabilitation of the sanitary sewer lines is complete. He further advised that IDS has reviewed the manhole inspection reports following completion of the Phase I and recommends incorporating any necessary Phase I manhole rehabilitation work into the Phase II Wastewater Collection System Rehabilitation ("Phase II") contract. He noted that the Board can expect to receive a change order in connection with the Phase II contract to reflect an updated contract amount to incorporate the cost of any manhole rehabilitation work.

Mr. Johnson advised the Board of a request for water and sanitary sewer service received from The Avera Companies serve an approximately 120,000 square feet warehouse building located at the Century Plaza Distribution Center on Century Plaza Drive. Mr. Johnson advised

that the amount of capacity requested would serve approximately 18 equivalent single-family connections ("ESFC"), which equates to approximately 4,400 gallons per day. Following discussion, Director Angulo moved to approve the request received from The Avera Companies for water and sanitary sewer service. Director Bundscho seconded the motion, which unanimously carried.

DEVELOPER REPORT

The Board deferred discussion of the Developer Report, as no developer was present at the meeting.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In connection therewith, Mr. Ringold introduced Mr. Lai to the Board, and advised that Mr. Lai will be working with him in handling the District's legal matters moving forward.

SUPPLEMENTAL AGENDA

The Board considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit L** calling such election to be held on May 7, 2022. It was noted that the terms of office of Directors Angulo and Bundscho expire in May of this year. In reviewing the Order with the Board, Mr. Ringold advised that the Order provides for the conduct of the Directors Election by Harris County, Texas (the "County"), jointly with elections of other political subdivision, using County election officials, voting equipment, and polling locations at a shared expense. Although the County will conduct the Directors Election, he advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Peyton Ellis as such agent (the "Election Agent"). Mr. Ringold further advised the Board that notice of the Directors Election must be given in accordance with the requirements of the Texas Election Code. Mr. Ringold advised the Board that notice of the Directors Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in each County election precinct that overlaps the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. Following discussion of the options, the Board concurred that notice of the Directors Election be given by posting same at a public place in each County election precinct that overlaps the District. After discussion on the matter, Director Angulo moved that said Order be passed and adopted, that the President and Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Bundscho seconded said motion, which unanimously carried. Mr. Ringold advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m.

on February 22, 2022, the Board may thereafter cancel the Directors Election in accordance with the Texas Election Code.

FUTURE AGENDA ITEMS

The Board did not request any items be placed on future agendas other than regular and on-going items.

ADJOURNMENT

There being no further business to come before the Board, upon motion made by Director Angulo, seconded by Director Bundscho and unanimously carried, the meeting adjourned.




Secretary Board of Directors

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 36,
OF HARRIS COUNTY, TEXAS

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - Draft Audit Report for Fiscal Year Ended September 30, 2021
- Exhibit B - Draft Management Letter
- Exhibit C - BKD Representation Letter
- Exhibit D - Bookkeeper's Report
- Exhibit E - Qualified Brokers Resolution
- Exhibit F - Tax Collector's Reports
- Exhibit G - Delinquent Tax Report
- Exhibit H - Resolution Concerning Exemptions from Taxation
- Exhibit I - Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit J - Operations Report
- Exhibit K - Engineer's Report
- Exhibit L - Order Calling Directors Election

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