

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

Minutes of Meeting of Board of Directors
September 8, 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 September 8, 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"); Eric Johnson of IDS Engineering Group ("IDS"); Rahi Patel of Municipal Accounts & Consulting, L.P. ("MA&C"); Tim Spencer of Ad Valorem Appraisals, Inc. ("Ad Valorem"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Sherri Greenwood of FORVIS, LLP ("FORVIS"); and Daniel Ringold 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 August 11, 2022. After discussion, Director Angulo moved that the minutes of the meeting held on August 11, 2022, be approved as presented. Director Bundscho seconded said motion, which unanimously carried.

RESIGNATION OF DIRECTOR GEORGE PECKHAM

The Board next considered the acceptance of Director Peckham's resignation from the Board of Directors. In connection therewith, the members of the Board recognized Director Peckham for 18 years of dedication and service to the District. Mr. Ringold advised the Board that SPH is in receipt of Director Peckham's executed resignation letter and requested the Board's acceptance of same. Following discussion, Director Angulo moved to accept Director

Peckham's resignation from the Board of Directors. Director Bundscho seconded the motion, which unanimously carried.

ELECTION NOT TO DISCLOSE CERTAIN INFORMATION

Mr. Ringold next presented to Mr. Peckham an Election Not to Disclose Certain Information in connection with his resignation from the Board of Directors. He stated that, pursuant to Section 552.024 of the Texas Government Code, as amended, Mr. Peckham may elect to withhold public access to information in the custody of the District. Upon review, Director Angulo moved that the Election Not to Disclose Form be accepted as executed by Mr. Peckham. Director Bundscho seconded said motion, which unanimously carried.

CONSIDER APPOINTMENT OF NEW DIRECTOR TO FILL VACANCY ON BOARD OF DIRECTORS

The Board considered the appointment of a new Director to fill the vacancy on the Board of Directors resulting from the resignation of Mr. Peckham. In connection therewith, the Board discussed the qualifications necessary for a new Director to be eligible for service on the Board of Directors, and agreed to begin looking for potential candidates accordingly. Following discussion, the Board concurred to defer taking action to appoint a new Director to fill the vacancy on the Board at this time, and agreed to re-consider the matter at a future meeting.

ENGAGEMENT OF AUDITOR TO PREPARE THE DISTRICT'S AUDIT REPORT FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2022

The Board considered the engagement of an auditor to prepare the District's audit report for the fiscal year ending September 30, 2022. Ms. Greenwood presented and reviewed with the Board a proposed engagement letter prepared by FORVIS relative to the preparation of the District's audit report for the fiscal year ending September 30, 2022, a copy of which is attached hereto as **Exhibit A**. She reported that FORVIS's fee proposal for conducting the required audit will be \$18,200, plus estimated administrative costs of \$1,000 to cover items such as report production, postage, copies, delivery charges, and technology related costs. Following discussion, Director Angulo moved to approve the engagement of FORVIS to conduct the required audit for the District's fiscal year ending September 30, 2022, and to authorize the President to execute the engagement letter on behalf of the Board and the District. Director Bundscho seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Mr. Patel presented to and reviewed with the Board a Bookkeeper's Report dated September 8, 2022, including checks presented for payment, a copy of which is attached hereto as **Exhibit B**. Following discussion, it was moved by Director Angulo that said report be approved, and that the disbursements identified therein be approved for payment, with the exception of check no. 6480, which was voided. Director Bundscho seconded the motion, which unanimously carried.

A discussion next ensued regarding the status of the District's investments and, more particularly, the District's Certificates of Deposit ("CDs"). In connection therewith, Mr. Patel presented to and reviewed with the Board an Account Balances report detailing the District's current CDs and the penalties associated with liquidating the low interest yielding CDs, a copy of which is attached hereto as **Exhibit C**. In that regard, Mr. Ringold directed the Board's attention to the low interest yielding CDs reflected in the Account Balances report, and provided the Board with potential options for the liquidation and subsequent reinvestment of the CDs scheduled to mature beginning October 15, 2022, through April 9, 2023, for the purpose of procuring a higher interest rate. Following discussion, Director Mayeu moved to authorize MA&C to (i) liquidate the District's low interest yielding CDs scheduled to mature beginning October 15, 2022, through April 9, 2023, and (ii) reinvest the District's funds into higher interest yielding CDs, with the first CD scheduled to mature beginning in September or October 2023, and the remaining CDs to mature incrementally thereafter. Director Bundscho seconded the motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Spencer presented to and reviewed with the Board a written Tax Collector's Report regarding tax collections within the District for the month ended August 31, 2022, including lists of bills and charges to be paid out of the District's Tax Account, a copy of which is attached hereto as **Exhibit D**. He additionally presented to and reviewed with the Board the District's certified values, as determined by the Harris County Appraisal District, a copy of which is attached hereto as **Exhibit E**. Following discussion, Director Angulo moved that the Tax Collector's Report 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 September 8, 2022, a copy of which is attached hereto as **Exhibit F**. He noted that there were no items on the report requiring action by the Board at this time.

RECEIVE THE FINANCIAL ADVISOR'S RECOMMENDATION CONCERNING THE DISTRICT'S PROPOSED 2022 TAX RATE

The Board considered the financial advisor's recommendation concerning the District's proposed 2022 maintenance tax rate, the authorization for the required notice that the Board will consider adoption of a tax rate, and the means of such notice. Ms. Shelton presented the Board with Masterson's analysis and recommendation regarding the proposed 2022 maintenance tax rate, a copy of which is attached hereto as **Exhibit G**. Ms. Shelton noted the District does not have any outstanding bonds or notes, and, therefore, no debt service tax is necessary. There next followed a discussion concerning the requirements for notice of the District's intention to adopt a 2022 tax rate. Mr. Ringold advised that, pursuant to §49.236 of the Texas Water Code, as amended, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr.

Ringold further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He advised that the District must provide the notice by either (1) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (2) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least 10 days before the date of the meeting. After further discussion on the matter, Director Bundscho moved that the Board propose a 2022 maintenance tax rate of \$0.15 per \$100 of assessed valuation, and that the District's Tax Assessor-Collector be authorized to publish notice of the District's intention to adopt a 2022 tax rate at its next meeting in the form and at the time required by law. Director Mayeu seconded said motion, which unanimously carried.

OPERATING BUDGET

The Board considered the adoption of an operating budget for the District's fiscal year ending September 30, 2023, a copy of which is attached hereto as **Exhibit H**. Following discussion of the budget presented, it was moved by Director Angulo, seconded by Director Bundscho, and unanimously carried, that the proposed operating budget for the fiscal year ending September 30, 2023 be approved, subject to the incorporation by MA&C of the following revisions: (i) the revision of line item 14350 to decrease the listed amount for total anticipated Maintenance Tax Collections for the 2023 tax year from \$1,377,977 to \$1,309,500, (ii) the revision of line item 16250 to decrease the listed amount for Lab Fees - Sewer from \$28,342 to \$18,342, (iii) the revision of line item 16350 to decrease the listed amount for Engineering Fees from \$100,000 to \$60,000, and (iv) the revision of line item 17021 to increase the total amount of Capital Outlay – WL Rehab from \$70,000 to \$600,000 in preparation for the anticipated expenses associated with the upcoming rehabilitation of the District's water lines.

OPERATIONS REPORT

Mr. Arrant presented to and reviewed with the Board a written Operations Report for the month of July 2022, a copy of which is attached hereto as **Exhibit I**. In connection therewith, Mr. Arrant requested that the Board authorize Municipal Operations to write off one (1) account totaling \$289.01 as uncollectible. Following discussion, Director Angulo moved to authorize Municipal Operations to write off the account totaling \$289.01, as described in the uncollectible account list attached to the Operations Report. Director Bundscho seconded said motion, which unanimously carried.

Director Mayeu advised the Board that MC Surfaces, Inc. ("MC Surfaces"), a business entity located within the boundaries of the District, was observed discharging liquified waste and/or industrial by-product through the fence line surrounding the MC Surfaces property, causing said waste to drain into the Storm Sewer System. He noted that this is not the first time that MC Surfaces has been observed improperly disposing of industrial waste, and queried the District's consultants regarding the scope of the District's capability to resolve the issue. In that regard, Mr. Ringold advised the Board that Harris County is ultimately responsible for the maintenance and regulation of the Storm Sewer System, but that Section 5.03(a) of the District's Rate Order prohibits the introduction of items (including, without limitation, construction

materials) into the Storm Sewer System. He further advised that persons violating the District's Rate Order are subject to civil penalties of \$500 to \$5,000 for each violation, with each day that a breach continues being a separate violation, and that the Board may therefore exercise its right to impose a fine on MC Surfaces in accordance with the terms of the Rate Order. Following discussion of the matter, Director Angulo moved to authorize SPH to prepare and transmit correspondence to MC Surfaces that identifies the observed violations and the penalties associated with same and warns of the District's intent to impose a penalty should MC Surfaces fail to immediately cease discharging industrial waste into the Storm Sewer System. Director Bundscho seconded the motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Johnson presented to and reviewed with the Board a written Engineer's Report dated September 8, 2022, concerning engineering projects within the District, a copy of which is attached hereto as **Exhibit J**.

In connection with the Phase II Wastewater Collection System Rehabilitation, Mr. Johnson presented to and reviewed with the Board Pay Application No. 5 in the amount of \$534,438.25, and requested approval of payment of same to T. Gray Utility & Rehab. Co. ("T. Gray"). A copy of Pay Application No. 5 is included in **Exhibit J**. Following discussion, Director Angulo moved to approve the payment of Pay Application No. 5 in the amount of \$534,438.25, to T. Gray. Director Bundscho seconded the motion, which unanimously carried.

Discussion next ensued regarding the proposed Water Distribution System Rehabilitation (the "WDS Project"). In connection therewith, Mr. Johnson advised the Board that construction of the WDS Project is estimated to take roughly 3 – 3.5 years to complete and cost a total of approximately \$11,277,200. Following discussion, Director Angulo moved to authorize IDS to proceed with the design and construction of the WDS Project. 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.

REPORT ON THE DISTRICT'S GENERATOR, INCLUDING STATUS OF RECEIPT OF REVENUES ASSOCIATED WITH PERFORMANCE DURING WINTER STORM URI

In connection with the status of the District's receipt of revenue for operation of the District's generator at its Water Plant, Director Mayeu advised the Board that he received a report from Acclaim Energy Advisors moments before the start of today's Board meeting and advised that the generator appears to have been switched into manual mode, which in turn caused the generator not to function properly. In that regard, Mr. Arrant advised the Board that he contacted a representative of PowerSecure to identify the cause of the generator switching into manual mode, to which PowerSecure responded that a PowerSecure technician must have

triggered the switch. Mr. Arrant then advised that he is working to schedule a meeting with PowerSecure to determine the steps necessary for the District to gain direct access to the generator's data and to accommodate on-site data storage.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In connection therewith, Mr. Ringold advised that he had nothing further of a legal nature to discuss with the Board at this time.

CLOSED SESSION

The Board determined it was not necessary to enter into Closed Session.

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 – Audit Engagement Letter
- Exhibit B – Bookkeeper's Report
- Exhibit C – Account Balances Report
- Exhibit D – Tax Collector's Report
- Exhibit E – Certified Values of the Harris County Appraisal District
- Exhibit F – Delinquent Tax Report
- Exhibit G – 2022 Tax Rate Recommendation
- Exhibit H – Operating Budget FYE September 30, 2023
- Exhibit I – Operations Report
- Exhibit J – Engineer's Report

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