

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

Minutes of Meeting of Board of Directors
February 9, 2023

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 February 9, 2023, 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
Rose Mary Bundscho	Assistant Secretary

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

Also present were Keith Arrant and Ryan Vaughan of Municipal Operations & Consulting, Inc. ("Municipal Operations"); Eric Johnson of IDS Engineering Group ("IDS"); Rahi Patel of Municipal Accounts & Consulting, L.P. ("MA&C"); Chris Davy of Ad Valorem Appraisals, Inc. ("Ad Valorem"); John Elder of Acclaim Energy Advisors ("Acclaim"); and 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 January 12, 2023. After discussion, Director Angulo moved that the minutes of the meeting held on January 12, 2023, be approved as presented. 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. In connection therewith, the Board discussed the qualifications necessary for a new Director to be eligible for service on the Board of Directors, and concurred to continue looking for potential candidates. Following discussion, the Board deferred taking action to appoint a new Director to fill the vacancy on the Board at this time, and concurred to re-consider the matter at a future meeting.

BOOKKEEPER'S REPORT

Mr. Patel presented to and reviewed with the Board a Bookkeeper's Report dated February 9, 2023, including checks presented for payment, a copy of which is attached hereto as **Exhibit A**. Mr. Patel additionally presented to and reviewed with the Board a Quarterly Investment Inventory Report ("Investment Report") prepared by MA&C for the reporting period ended December 31, 2022, a copy of which is included in the Bookkeeper's Report. Following discussion of the reports presented, it was moved by Director Angulo, seconded by Director Bundscho, and unanimously carried, that: (i) the Bookkeeper's Report be approved and the disbursements identified therein be approved for payment, and (ii) the Investment Report be approved and the District's Investment Officer authorized to execute same on behalf of the Board and the District.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Davy presented to and reviewed with the Board a written Tax Collector's Report regarding tax collections within the District for the month ended January 31, 2023, including a list of bills and charges to be paid out of the District's Tax Account, a copy of which is attached hereto as **Exhibit B**. In that regard, Mr. Davy requested that the Board defer approval of the disbursements reflected in the Tax Collector's Report until next month's meeting, as the checks for such disbursements were unable to be printed in advance of today's meeting due to a technical issue. Following discussion, the Board concurred to defer approval of the disbursements reflected in the Tax Collector's Report until next month's meeting.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Lai advised that a Delinquent Tax Report was not received this month from the District's delinquent tax attorney, Perdue, Brandon, Fielder, Collins, & Mott, L.L.P. ("Perdue").

EXEMPTIONS FROM TAXATION FOR 2023

The Board considered granting exemptions from taxation for 2023, and the adoption of a Resolution in connection therewith. Mr. Lai 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. Mr. Lai reminded the Board that, historically, the District has granted a 20% general residential homestead tax exemption, and has not granted any additional residential homestead exemption for those persons under a disability or sixty-five years of age or older. He then presented to and reviewed with the Board an analysis prepared by Masterson Advisors, LLC, the District's financial advisor, detailing the possible tax implications to the District resulting from the adoption of an additional residential homestead exemption for those persons under a disability or sixty-five years of age or older. A copy of such analysis is attached hereto as **Exhibit C**. Following discussion, it was moved by Director Angulo, seconded by Director Bundscho, and unanimously carried, that the

District (i) grant a 20% residential homestead exemption, and (ii) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$30,000 from ad valorem taxes levied by the District during the calendar year 2023, and that the Resolution Concerning Exemptions from Taxation reflecting same, which is attached hereto as **Exhibit D**, be approved and adopted by the Board and the District.

OPERATIONS REPORT

Mr. Arrant presented to and reviewed with the Board a written Operations Report for the month of December 2022, a copy of which is attached hereto as **Exhibit E**.

Mr. Arrant advised the Board that PowerSecure conducted an assessment of the District's generator and identified a few parts in need of emergency repair. He further advised that, due to the nature of the repairs, he contacted Director Mayeu in advance of today's meeting and received authorization from Director Mayeu to proceed with completing the necessary repairs at a cost of approximately \$1,500.00. Following discussion, no further action was necessary by Board in connection with this matter.

OPERATOR'S CHANGE IN ELECTRONIC PAYMENT PROGRAM VENDORS

Mr. Arrant advised the Board that MOC will be changing vendors for its electronic payment program (currently T-Tech, Inc. for electronic check payments and Global Payments Direct, Inc. et. al. (collectively, "GPD") for credit card payments) to JP Morgan Chase Bank, N.A. through its subsidiary Paymentech, LLC (collectively, "Paymentech"). He noted that, as part of this process, the District's current agreements with T-Tech Inc. and GPD will be terminated, a new Merchant Services Processing Agreement will be entered into with Paymentech, and an Addendum to Professional Services Agreement (the "Addendum") will be entered into between MOC and the District, whereby MOC will assume certain District obligations under the program and responsibility for the program's compliance with applicable rules and regulations. In that regard, Mr. Lai stated that SPH has reviewed the form of the Merchant Services Processing Agreement, which includes amended terms for the District, and the Addendum, and confirmed that SPH has no objection to the forms of same. Following discussion, it was moved by Director Angulo, seconded by Director Bundscho, and unanimously carried, that the following actions be taken: (i) MOC be authorized to terminate the existing Service Agreement with T-Tech Inc. and Card Services Agreement and related Addendum with GPD on behalf of District; (ii) the Merchant Services Processing Agreement and related Attestation and Amendment of Agreement and ECP Addendum Terms with Paymentech be approved; (iii) the Addendum with MOC be approved; (iv) SPH be authorized to acknowledge the TEC Form 1295 related to the Addendum; and (v) the President or Vice-President, and Assistant Secretary, be authorized to execute the required program documentation on behalf of the District.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES AND ADOPTION OF RESOLUTION ADOPTING PREVAILING WAGE RATE SCALE FOR CONSTRUCTION PROJECTS

The Board deferred consideration of the Resolution Adopting Prevailing Wage Rate

Scale for Construction Projects until next month's meeting.

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

The Board considered the renewal of the District's insurance coverages. In that regard, Mr. Lai presented to and reviewed with the Board a renewal proposal received from the District's current insurance carrier, Arthur J. Gallagher & Co. ("Gallagher"), a copy of which is attached hereto as **Exhibit F**. Following discussion of the insurance proposal submitted by Gallagher, Director Angulo moved to approve said proposal for the District's Property, Boiler and Machinery, General Liability/Hired & Non-Owned Auto, Pollution Liability, Umbrella Liability, Directors and Officers, Public Employee Blanket Crime, Business Travel Accident, Tax Assessor-Collector Bond, and Directors Bond insurance policies. Director Bundscho seconded said motion, which carried unanimously.

ENGINEER'S REPORT

Mr. Johnson presented to and reviewed with the Board a written Engineer's Report dated February 9, 2023, concerning engineering projects within the District, a copy of which is attached hereto as **Exhibit G**. No action was taken in connection with the Engineer's Report.

A discussion next ensued regarding the City of Houston's requirement that the District convert from groundwater to surface water at some point in the future. In that regard, Mr. Johnson provided the Board with various information in response to Director Mayeu's previous inquiry regarding the possible construction of a second water plant to serve the District. Mr. Johnson advised the Board that the construction of a second water plant is estimated to cost approximately \$6,200,000. He further advised that, as an alternative to constructing a second water plant, the District could extend a line from its current water plant to the City of Houston's water line at a cost of approximately \$2,600,000. Following discussion, no action was taken by the Board in connection with this matter.

ADOPTION OF RESOLUTION CONCERNING DEVELOPED DISTRICT STATUS FOR 2023 TAX YEAR

Mr. Lai next addressed the Board concerning the tax rate adoption procedures for special districts implemented under Senate Bill 2. Mr. Lai noted that the procedures applicable to a particular district will depend, in part, upon whether it is determined to be a "Developed District" under Texas Water Code Section 49.23602. Mr. Lai then presented to and reviewed with the Board a questionnaire completed by the District's engineer to assist the Board in making this determination, a copy of which is attached hereto as **Exhibit H**. Following discussion, upon motion made by Director Angulo, seconded by Director Bundscho, and unanimously carried, the Resolution Concerning Developed District Status for the Tax Year 2023, attached hereto as **Exhibit H**, determining that the District shall not be considered a Developed District, was adopted by the Board.

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

Mr. Elder next addressed the Board regarding the status of the District's receipt of revenue for operation of the District's generator at its Water Plant. In connection therewith, Mr. Elder advised the Board that the Electric Reliability Council of Texas ("ERCOT") is refusing to remit payment of the funds owed to the District due to the amount of time that has passed since Winter Storm Uri. He further advised that ERCOT has declared CenterPoint Energy the entity responsible for remitting payment of the funds owed to the District. Mr. Elder noted that he has scheduled a meeting with CenterPoint Energy to discuss the matter further, and estimated that the District is currently owed approximately \$11,800.00, based on current generator run-times. Mr. Elder advised that Acclaim is conducting an audit of its financial records to calculate the exact amount of total revenue that the District is owed for operation of its generator and the exact amount of funds that the District has received from Acclaim to date, as this will determine the total amount of funds that is outstanding and owing to the District. He further advised that he will also review the District's records to determine what programs the District has been involved with, and what programs the District should be involved with moving forward. Following discussion of the matter, Director Mayeu requested that Mr. Elder prepare and provide to Mr. Lai, a list of action items that Acclaim is responsible for completing with clear deadlines for completion of each action item, to which Mr. Elder responded that he would do so. No action was taken by the Board in connection with this matter.

Mr. Elder exited the meeting at this time.

ATTORNEY'S REPORT

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

CLOSED SESSION

The President announced at 1:02 p.m. that the Board would convene in Closed Session pursuant to Texas Government Code, Section 551.071 and Section 551.074. All of those in attendance, with the exception of the Board, Ms. Ellis and Mr. Lai, exited the meeting at this time.

RECONVENE IN OPEN SESSION

The Board reconvened in Open Session at 1:12 p.m., with the Board, Ms. Ellis and Mr. Lai in attendance.

No action was taken by the Board in connection with the matters discussed in Closed Session.

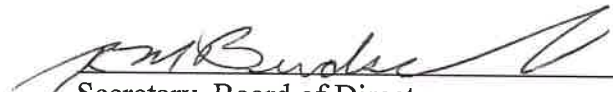
FUTURE AGENDA ITEMS

Mr. Patel requested that an item be placed on next month's agenda for consideration of a proposed Client Services Agreement with HR&P for direct deposit of director per diems and expense reimbursements.

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 – Bookkeeper's Report
- Exhibit B – Tax Assessor-Collector's Report
- Exhibit C – Tax Exemption Analysis
- Exhibit D – Resolution Concerning Exemptions from Taxation
- Exhibit E – Operations Reports
- Exhibit F – Accepted Insurance Proposal
- Exhibit G – Engineer's Report
- Exhibit H – Resolution Concerning Developed District Status for the Tax Year 2023

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