

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

**Minutes of Meeting of Board of Directors
January 12, 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 January 12, 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 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"); Sherri Greenwood of FORVIS, LLP ("FORVIS"); 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 November 10, 2022. After discussion, Director Angulo moved that the minutes of the meeting held on November 10, 2022, 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.

APPROVAL OF AUDIT REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022 AND AUTHORIZE EXECUTION OF ANNUAL FILING AFFIDAVIT

The Board considered the approval of the District's Audit Report ("Audit") prepared for the District's fiscal year ended September 30, 2022, and the execution of an Annual Filing Affidavit in connection therewith. Ms. Greenwood presented to and reviewed with the Board a draft of the Audit prepared for the fiscal year ended September 30, 2022, a copy of which is attached hereto as **Exhibit A**.

Ms. Greenwood then presented the Board with a draft of the Management Representation Letter, as prepared by FORVIS, concerning the Board's internal controls over financial reporting (the "Management Representation Letter"), a copy of which is attached hereto as **Exhibit B**. In that regard, Ms. Greenwood advised the Board that the Management Representation 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. Ms. Greenwood additionally presented the Board with correspondence prepared by FORVIS, which summarizes various information that FORVIS is required to communicate to the Board as part of its audit of the District's financial statements. A copy of said correspondence is included with **Exhibit B**.

Following review and discussion of the materials presented, it was moved by Director Angulo, seconded by Director Bundscho and unanimously carried, that (i) the Audit for the District's fiscal year ended September 30, 2022, be approved, (ii) the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and (ii) the Audit, Management Representation Letter and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality, as required.

FINANCIAL REPORT FILING AND METHOD OF COMPLIANCE

Mr. Lai 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. Lai 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, 2022, with the Comptroller.

SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Lai reminded the Board that the District is required to annually submit

information to the Comptroller for inclusion in the Special Purpose District Public Information Database ("SPDPID"). In connection therewith, Mr. Lai advised the Board that FORVIS, the District's auditor, has previously completed this work per its annual audit engagement letter and noted that such 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 FORVIS be authorized to prepare the required information and submit same to the Comptroller for inclusion in the SPDPID.

BOOKKEEPER'S REPORT

Mr. Patel presented to and reviewed with the Board a Bookkeeper's Report dated January 12, 2023, including checks presented for payment, a copy of which is attached hereto as **Exhibit C**. Upon review of the Cash Flow Forecast, Mr. Lai requested that the total amount of funds allocated for the District's Water Distribution System Replacement be reflected in the Capital Outlay–Water Line Rehab line item designated for such project. Following discussion, it was moved by Director Angulo, seconded by Director Bundscho and unanimously carried, that the Bookkeeper's Report be approved, and the disbursements identified therein be approved for payment.

A discussion next ensued regarding the status of the District's investments and, more particularly, the District's Certificates of Deposit ("CDs"). In response to the concerns previously expressed by Director Mayeu regarding the lack of diversification in the District's investments, Mr. Patel advised the Board that there are very few investment opportunities available for the District to consider at this time. He further advised that, due to the fluctuating conditions of the investment market, MA&C would prefer to keep the District's funds invested in Texas CLASS, as doing so will ensure the security of such funds until the conditions of the investment market stabilize. Following discussion, no action was taken by the Board in connection with this matter.

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. In connection therewith, Mr. Lai advised that, pursuant to the Public Funds Investment Act ("PFIA"), the Board is required to review such list at least annually. He then presented to and reviewed with the Board (i) a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, which includes a list of financial institutions, brokers and dealers attached thereto, and (ii) a comparison of the list proposed for adoption and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit D**. Mr. Lai 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. Following discussion, Director Angulo moved that: (i) the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment

Transactions with the District be approved by the Board and the District, as presented, and (ii) the President and Secretary be authorized to execute same. Director Bundscho seconded said motion, which unanimously carried.

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 December 31, 2022, 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 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. Lai presented to and reviewed with the Board a written Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins, & Mott, L.L.P., dated December 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.

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. He stated 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. The Board discussed such exemptions in detail, and requested that the District's Tax Assessor-Collector and Financial Advisor collaborate to prepare an analysis of 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. Following discussion, the Board deferred granting exemptions from taxation for 2023 and concurred to reconsider the matter at its next meeting.

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. In connection therewith, Mr. Lai advised that the Board is authorized to impose on April 1, 2023, 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, 2023, and remain delinquent sixty (60) days after the date on which they become delinquent. Following discussion, Director Angulo moved that that the Resolution Adopting an Additional Penalty on Delinquent Personal Property Taxes, attached hereto as **Exhibit G**, be adopted by the Board and District, and that the District's delinquent tax attorney be authorized to collect such delinquent personal property taxes in accordance therewith. Director Bundscho seconded said motion, which carried unanimously.

OPERATIONS REPORT

Mr. Arrant presented to and reviewed with the Board written Operations Reports for the months of October 2022 and November 2022, copies of which are attached hereto as **Exhibit H**. In connection therewith, Mr. Arrant requested that the Board authorize Municipal Operations to write off one (1) account totaling \$85.95 as uncollectible. Following discussion, Director Angulo moved to authorize Municipal Operations to write off the account totaling \$85.95, as reflected in the uncollectible account listing attached to the Operations Reports. Director Bundscho seconded said motion, which unanimously carried.

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. Lai 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, 2023, 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 2022. After discussion, Director Angulo moved that the operator be authorized to provide such information to entities that received water from the District via interconnect in 2022. The motion was seconded by Director Bundscho and carried by unanimous vote.

ENGINEER'S REPORT

Mr. Johnson presented to and reviewed with the Board a written Engineer's Report dated January 12, 2023, concerning engineering projects within the District, a copy of which is attached hereto as **Exhibit I**.

In connection with the Phase II Wastewater Collection System Rehabilitation, Mr. Johnson presented to and reviewed with the Board Pay Application Nos. 7 and 8 in the amounts of \$45,462.67 and \$54,242.99, respectively, and requested approval of payment of same to T. Gray Utility & Rehab. Co. ("T. Gray"). Copies of Pay Application Nos. 7 and 8 are included in **Exhibit I**. Following discussion, Director Angulo moved to approve the payment of Pay Application Nos. 7 and 8 in the amounts of \$45,462.67 and \$54,242.99, respectively, to T. Gray. Director Bundscho seconded the motion, which unanimously carried.

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, Director Mayeu requested additional information in connection with the possible construction of a second water plant to serve the District, including an estimate of the costs associated with (i) the construction of a second water plant and the infrastructure needed to supply water to such plant, and (ii) the potential purchase of property to serve as the site for a second water plant.

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. In connection therewith, Mr. Lai advised the Board that the District's current coverage is with Arthur J. Gallagher & Co. ("AJG") and will expire on March 31, 2023. After discussion, Director Angulo moved to (i) authorize SPH to solicit a proposal for renewal of the District's insurance coverage from AJG for review and consideration by the Board at its next meeting, and (ii) designate Director Mayeu as the Board's authorized representative to take any action necessary in connection with the renewal of the District's insurance coverages. 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

Mr. Lai advised that he had nothing new to report to the Board in connection with the status of the District's receipt of revenue for operation of the District's generator at its Water Plant.

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.

Director Mayeu advised the Board of correspondence received from Aldine Fire & Rescue requesting a donation from the District for its annual appreciation banquet, and inquired whether the Board would be interested in donating. Following discussion, the Board concurred to decline the request for a donation 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 – Draft Audit Report for Fiscal Year Ended September 30, 2022
- Exhibit B – Management Representation Letter and Board Correspondence prepared by FORVIS, LLP
- Exhibit C – Bookkeeper's Report
- Exhibit D – Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit E – Tax Assessor-Collector's Report
- Exhibit F – Delinquent Tax Report
- Exhibit G – Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit H – Operations Reports
- Exhibit I – Engineer's Report

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