

MINUTES OF MEETING OF BOARD OF DIRECTORS  
MARCH 17, 2022

THE STATE OF TEXAS  
COUNTY OF HARRIS  
HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 156

The Board of Directors (the "Board") of Harris County Water Control and Improvement District No. 156 (the "District") convened in regular session on March 17, 2022, at 9:30 a.m. at the offices of Norton Rose Fulbright US LLP, 1301 McKinney St, Houston, Texas, and via teleconference pursuant to Section 551.125, Texas Gov't Code. A roll call was taken of the persons present:

Mr. Michael Terraso, President  
Ms. Beth Moore, Vice President  
Mr. Peter Nagamani, Treasurer  
Mr. Matt Chamberlain, Secretary  
Mr. Tom Humphrey, Assistant Secretary

All members of the Board were present, except for Director Humphrey, thus constituting a quorum. Also attending all or parts of the meeting were Ms. Debbie Arellano of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Dean McGee, Ms. Mary Ann Schatz, and Mr. Frank Elliott, of the Clear Lake City Water Authority ("CLCWA"), operators of the District's facilities; Ms. Kim Shelnett of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Mr. Dimitri Millas and Ms. Nadin Fallah of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District; and Mr. James Moore, resident of the District.

President Terraso called the meeting to order in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as *Exhibit A*, and the following business was transacted:

**1. Emergency Finding.** Upon motion by Director Moore, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to find the existence of an emergency or public necessity, i.e., spread of the Delta variant of the Coronavirus, making the convening at one location of a quorum of the governmental body difficult or impossible and permitting a meeting by teleconference pursuant to Section 551.125 of the Texas Open Meetings Act.

**2. Public Comments.** There were no public comments.

**3. Approve minutes of the regular meeting of January 20, 2022.** Proposed minutes of the meeting of January 20, 2022, previously distributed to the Board, were presented for review and approval. Upon motion by Director Moore, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of January 20, 2022, as presented.

**4. Adopt Order Declaring Unopposed Candidates Elected to Office.** Mr. Millas presented to and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit B. He reported that the 2022 Directors Election was uncontested and can be cancelled. Upon motion by Director Chamberlain, seconded by Director Moore, after full discussion and the question being put to the Board, the

Board voted unanimously to adopt the Order Declaring Unopposed Candidates Elected to Office.

**5. Bookkeeper's Report and payment of bills.** Ms. Shelnutt presented to and reviewed with the Board the Bookkeeper's Report, the monthly Investment Report, and the Deposit/Collateral Report, a copy of which is attached hereto as *Exhibit C*.

Ms. Shelnutt reported that the District's account with BBVA Compass Bank was closed. She stated that funds were transferred to the District's new checking account at Central Bank.

Ms. Shelnutt proceeded to review the District's operating activity. She presented 15 checks for Board approval. Ms. Shelnutt noted check no. 1034 made out the TCEQ for the water system fee. She noted check no. 1035 made out to Crisp Analytical Lab, LLC for laboratory testing fees. She then noted check no. 1036 made out to the Clear Lake City Water Authority for the final allocable debt payment. Ms. Shelnutt reported that the District's debt obligations are completed.

Director Nagamani inquired about check no. 1032 made out to Lockwood, Andrews, and Newnam, Inc. Ms. Shelnutt stated that the check corresponds to the general fee and consulting services from the District's engineer. She noted that the engineer was in attendance at the Board's last meeting, and that the invoice may also include items related to the District's lift station. Ms. Shelnutt stated that she would coordinate with the engineer to obtain an itemized invoice, as requested.

Ms. Shelnutt proceeded to review the District's operating budget and investment report. She stated that next CD maturity is in September 2022. Director Chamberlain noted the variance between the year-to-date revenue and the budgeted amount for the District's tax collections, Ms. Shelnutt stated that she would verify the District's tax collections from the same time last year to ensure they are on par. She further stated that the District's budget is adopted in August, prior to setting the tax rate and obtaining preliminary property values. She stated that she would confirm the District's expected tax collections and provide the information for Board review in May.

Director Nagamani inquired about the transfer in the amount of \$20,000.00 from the District's Texstar account. Ms. Shelnutt stated that \$20,000.00 was transferred to the District's checking account to ensure there are sufficient funds to cover monthly expenses. Discussion ensued regarding the average transfer amount.

Director Nagamani inquired whether line items for sidewalk maintenance and construction are included in the budget. Ms. Shelnutt reported that the District approved a line item in the amount of \$30,000 in relation with the sidewalks.

Director Nagamani inquired how much cash would be transferred to the CLCWA in the event of an annexation or consolidation. Ms. Shelnutt reported that the District has a cash balance of \$1,021,748.56. She further stated that the District has one CD in the amount of \$108,000.

Upon motion by Director Chamberlain, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and authorize payments of check nos. 1024 through 1036 from the

General Operating Fund, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report.

**6. Tax Assessor Collector's Report.** Ms. Arellano presented to and reviewed with the Board the Tax Assessor and Collector's Report dated February 28, 2022, a copy of which is attached hereto as *Exhibit D*. Ms. Arellano reported that 97.8% of the District's 2021 taxes have been collected as of February 28, 2022.

Ms. Arellano reviewed the District's historical tax collections, stating that the District has collected 100% of all 2020 and prior year taxes.

Ms. Arellano reported a 2021 taxable value of \$186,195,767.

Director Nagamani inquired whether the District's 2021 property value decreased. Ms. Arellano stated that the District's property value increased. She noted that the tax rate was decreased, accounting for the lower tax collections.

Director Terraso inquired about the taxes receivable. Ms. Arellano stated that \$1,146.00 was collected in the month of March to date. She stated that the taxes receivable for the District are listed on page 4 of the report, in the amount of \$10,577.00. Director Nagamani inquired about the expected collection date for receivable taxes. Ms. Arellano stated that the collection date depends on the timeliness of the taxpayer's payments. Discussion ensued.

Upon motion by Director Moore, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1009 through 1012 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

**7. Clear Lake City Water Authority Operations Report.** Ms. Schatz presented to and reviewed with the Board the CLCWA Operations Report for the months of November and December 2021, copies of which is attached hereto as *Exhibit E*.

Ms. Schatz reported that in the month of January one homeowner moved out of the District. She stated that a \$100.00 deposit will be paid back to the District. Ms. Schatz reported there are currently 382 accounts in the system. She stated that three bacteriological samples were taken, all of which returned negative. She further stated that the District's Nitrification Action Plan test has been performed. Ms. Schatz reported that website hosting fees were incurred for the month of January. She then proceeded to discuss the sewer gallons and flush gallons for the period.

Ms Schatz then proceeded to review the report for the month of February. She stated that two homeowners submitted a deposit to the District. She stated that the District was charged an operating fee and an ACH monthly fee in February. She further stated that three bacteriological samples and Nitrification Action Plan test were performed.

Ms. Schatz reported that chemical expenses have increased. She stated that the District's monthly laboratory expenses have increased from \$68.04 to \$85.56. She further reported that the additional quarterly test performed for the District has increased from \$87.70 to \$105.66.

Upon motion by Director Chamberlain, seconded by Director Moore, after full discussion and the question being put to the Board, the Board voted unanimously to approve the CLCWA Operations Report.

**8. Maintenance of District Facilities.** Mr. Elliott present to and reviewed with the Board the Maintenance Report, a copy of which is attached hereto as *Exhibit F*. He stated that a new TimeMark Model 4042 Liquid Level Controller has been installed and is now operational at the District's lift station, as directed by Director Nagamani and the District's engineer on February 17, 2022. He reported that the final cost for the project was \$2,811.67, and stated that the CLCWA is awaiting receipt of a final invoice from Smith Pump Inc. at this time. Upon motion by Director Moore, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Maintenance Report.

**9. Engineer's Report.** There was no report for the month.

**10. Discuss flooding of bayou, consider contacting Precinct 2 Commissioner, and take any necessary action.** Director Terraso suggested that the Board determine who the new watershed coordinator is for the project prior to contacting the Precinct 2 Commissioner. He recommended that the watershed coordinator be contacted regarding the widening of the bayou. Discussion ensued. Director Terraso stated that he would contact the watershed coordinator and the Harris County Flood Control District, as needed.

**11. Discuss possible annexation of the district by the Clear Lake City Water Authority and take any necessary action.** Director Nagamani reported that the president of the CLCWA approached Director Terraso about the possibility of consolidating the District into the CLCWA. He stated that, upon speaking to the president of the CLCWA, the District would be responsible for initiating the annexation process by submitting a format request and covering the cost of annexation. Director Nagamani proposed that a special meeting be held in April to further discuss the matter.

Director Nagamani noted that the CLCWA currently charges the District 150% of the cost charged to its own customers. Mr. Moore stated that the District is also charged \$10.00 per connection per month for operating services. Mr. Moore further stated that the City of Houston charges the District's residents a storm sewer fee, which is not applied to customers of the CLCWA. Discussion ensued regarding the possibility of negotiating the City of Houston storm sewer fee. Director Terraso stated that the Board must also consider whether there is a cost benefit of an annexation for the customers in Pasadena. Director Nagamani stated that, should an annexation take place, the District would be charged the same amount by the CLCWA as the CLCWA currently charges its customers for water and sewer.

Director Chamberlain stated that the District is in a strong financial position to support its taxpayers and subsidize the City of Houston storm sewer fee, if needed. He further stated that the District currently subsidizes a portion of the water and sewer rates charged by the CLCWA. Extensive discussion ensued regarding the potential cost benefits to residents in the event of an annexation or consolidation.

Mr. Millas stated that the process of an annexation would likely need to be managed by the CLCWA, noting that the CLCWA should provide an estimate of the cost of

being annexed. Mr. Millas suggested that, at the special meeting, the Board determine the differences in the District's cashflow and the potential cost benefit to residents in the event of an annexation. Discussion ensued regarding annexation expenses and procedures. It was the consensus of the Board to have NRF coordinate with the financial advisor to determine the cost of an annexation, the effect on water and sewer rates for residents, and the effect on residents' tax bills. Extensive discussion ensued regarding past conversations with City of Houston's on the storm sewer fee.

Director Nagamani reported that there are currently 18 years left on the District's contract with the CLCWA. He inquired whether the contract with the CLCWA can be amended to indicate how water and sewer services will be provided to the District following contract expiration. Mr. Millas stated that, prior to the expiration of the term of the contract, the District will need to negotiate with the CLCWA, unless the District decides to consolidate. Discussion ensued. Upon motion by Director Chamberlain, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to authorize NRF and the financial advisor to determine the cost of an annexation, the effect on water and sewer rates for residents, and the effect on residents' tax bills.

**12. Report on Senate Bill 625 Filing on Comptroller Database.** Mr. Millas reviewed with the Board the Special District report filing. He reported that state law requires annual filing of certain District financial information with the Texas Comptroller of Public Accounts. Mr. Millas stated that NRF has made this filing on behalf of the District.

**13. Discuss next meeting date.** Discussion ensued regarding the May Board meeting. The Board made the decision to meet for its next regular meeting on May 19, 2022 at 1:00 p.m. at the Bay Oaks Country Club, and via teleconference.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The above and foregoing minutes were passed and approved by the Board on May 19, 2022.

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President, Board of Directors

Attest:

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Secretary, Board of Directors

(DISTRICT SEAL)