

MINUTES OF MEETING OF BOARD OF DIRECTORS
JULY 15, 2021

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, partially via teleconference pursuant to Section 551.125, Texas Gov't Code as modified by the temporary suspension of certain provisions thereof pursuant to guidelines issued by the Texas Attorney General and approved by the Governor for use during the COVID-19 statewide disaster. 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 Moore, thus constituting a quorum. Also attending all or parts of the meeting were Ms. Mary Ann Schatz of the Clear Lake City Water Authority ("CLCWA"), operators of the District's facilities; Ms. Debbie Arellano of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Ms. Kim Shelnett of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; and Mr. Dimitri Millas and Ms. Nadin Fallah of Norton Rose Fulbright US LLP ("NRF"), attorneys for the District; and Mr. Brian Toldan of McCall Gibson Swedlund Barfoot PLLC ("MGSB"), auditor for the District.

Pursuant to Section 551.054, Texas Gov't Code, as modified by the temporary suspension of certain provisions thereof, notice of the meeting was posted on the District's website within the time limits prescribed by law. A certificate of such posting is attached hereto as *Exhibit A*. The following business was transacted:

- 1. Public Comments.** There were no public comments.
- 2. Approve minutes of the regular meeting of May 20, 2021.** Proposed minutes of the meeting of May 20, 2021, previously distributed to the Board, were presented for review and approval. Upon motion by Director Humphrey, seconded by Director Chamberlain, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of May 20, 2021, as presented.
- 3. Engage auditor for fiscal year ending August 31, 2021.** Mr. Toldan stated that the District has an evergreen agreement with McCall Gibson. He then presented to and reviewed with the Board the audit continuance letter for fiscal year ending August 31, 2021, a copy of which is attached hereto as *Exhibit B*. Mr. Toldan stated that the fees will range between \$11,750 and \$12,750.

Director Nagamani inquired about pending items on the last financial audit. Mr. Toldan stated that the 2020 audit was finalized and filed several months ago.

Mr. Toldan left the meeting at this time.

4. 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 proceeded to review the District's operating activity. She presented 10 checks for Board approval.

Ms. Shelnutt noted check no. 2977 made out to Clear Lake City Water Authority in the amount of \$21,878.71.

Ms. Shelnutt noted that the District has one Certificate of Deposit with a maturity date of September 2021.

Director Nagamani inquired about the checks made out to the CLCWA. Ms. Schatz stated that the June invoice will be provided for payment.

Upon motion by Director Nagamani, seconded by Director Humphrey, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payments of check nos. 2970 through 2979 from the General Operating Fund, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report.

5. Approve budget for fiscal year ending August 31, 2022. Ms. Shelnutt presented to and reviewed with the Board the proposed budget for fiscal year ending August 31, 2022, a copy of which is attached to the Bookkeeper's Report. Discussion ensued.

Director Chamberlain inquired about the projected increase in CLCWA water and sewer rates. Ms. Schatz stated that a rate increase is expected during fiscal year ending August 31, 2022. She stated that no figures are available at this time, and noted that she would report to the Board once further information is available. Director Nagamani inquired about the City of Houston rate increase. Ms. Schatz stated that the District will not be affected by the City of Houston rate increase. Discussion ensued regarding a future rate increase and the need for public approval.

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 approve the budget for fiscal year ending August 31, 2022, as presented.

6. Discuss and consider authorization to moving District accounts currently with BBVA, and approval of all required documentation and actions related thereto, and take any necessary actions. Ms. Shelnutt reported that the District currently has a majority of its bank account information at BBVA Bank. She noted that BBVA Bank will no longer have a department servicing government entities, and suggested that the Board consider transferring the account to Central Bank.

Director Nagamani inquired about the selection of Central Bank as the financial institution of choice. Ms. Shelnutt stated that MCI has had several meetings to discuss viable alternatives for financial institutions. She stated that various financial institutions are developing MUD divisions at this time, and that another transition may be considered in the future. Ms. Shelnutt stated that Central Bank currently has a MUD division in place, and noted that MCI has worked with Central Bank on other districts in the past. Mr. Millas noted that legally, the most important aspect of this transition is the process of negotiating a depository pledge agreement. 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 proceed with transferring the District's accounts from BBVA Bank to Central Bank, to open an Interest Bearing Bank Deposit that applies with the Public Fund Investment Act, and to approve all required documentation subject to final review by legal.

7. Consider approval of new TexStar account and take any necessary action.

Ms. Shelnutt discussed with the Board the possibility of transferring the District's savings from BBVA Bank to TexStar. She noted that the transfer would grant the District greater flexibility for investments. Director Chamberlain inquired about TexStar. Ms. Shelnutt stated that TexStar is an investment service composed of government entities. She stated that the accounts are monitored to ensure that the principal amount does not fluctuate below the dollar. Discussion ensued. Upon motion by Director Humphrey, seconded by Director Nagamani, after full discussion and the question being put to the Board, the Board voted unanimously to approve the new TexStar account.

8. Close out District Debt Service Fund. Ms. Shelnutt reported that, at the May Board meeting, the District completed its last debt service payment. She stated that any remaining funds in the Debt Service Fund can be transferred to the Operating Account, and that the Debt Service fund can be closed. Discussion ensued. Upon motion by Director Nagamani, seconded by Director Humphrey, after full discussion and the question being put to the Board, the Board voted unanimously to close out the District's Debt Service Fund.

9. Tax Assessor Collector's Report. Ms. Arellano presented to and reviewed with the Board the Tax Assessor and Collector's Report dated June 30, 2021, a copy of which is attached hereto as *Exhibit D*. Ms. Arellano reported that 99.5% of the District's 2020 taxes have been collected as of June 30, 2021.

Ms. Arellano suggested that the Board consider moving the District's tax account from Wells Fargo to Allegiance Bank. She then presented a draft depository pledge agreement for Board consideration and noted that, should the Board decide to proceed with the transfer, signature cards will be provided at the next meeting.

Discussion ensued regarding the District's certified value and the tax rate levy.

Upon motion by Director Nagamani, seconded by Director Humphrey, 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. 1210 through 1212 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

10. Clear Lake City Water Authority Operations Report. Ms. Schatz presented to and reviewed with the Board the CLCWA Operations Report for April through June 2021, copies of which are attached hereto as *Exhibit E*.

Ms. Schatz reported on the items that were invoiced to the District. She reported that three bacteriological samples were taken each month.

Ms. Schatz noted that the District's annual Consumer Confidence Report was delivered to the Texas Commission on Environmental Quality, as required.

Ms. Schatz reported that the front of the CLCWA office building has been opened to walk-in traffic.

Ms. Schatz reported that there were 4 new homeowners in the month of April, 5 new homeowners in the month of May, and 5 new homeowners in the month of June.

Ms. Schatz reported that a Nitrification Action Plan test was completed in the month of May. She further stated that the District was billed for the Omnisite in May, and noted that the cost did not include maintenance. She stated that maintenance costs related to Omnisite will be in the amount of approximately \$400. Director Nagamani inquired about the billing adjustments for water, noting that the amount was listed as a debit as opposed to a credit. Ms. Schatz stated that the charge in the amount of \$240.80 was mistakenly credited to the District account, due to an erroneous reading of two water meters. She stated that in order to correct the error, the amount was later debited back to the District account.

Ms. Schatz then noted that, beginning in June, the cost of the Nitrification Action Plan test increased from \$55.32 to \$68.04 per week. She noted that the figure encompasses the cost of supplies, and stated that the cost of labor will be billed separately.

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

11. Maintenance of District Facilities. Ms. Schatz reviewed with the Board the maintenance updates for the period. She stated that there were no maintenance issues to report. She then stated that the Omnisite is now operational at all of the lift stations on the system. She reported that the maintenance fee for the onsite will be available in the next few months. Upon motion by Director Nagamani, seconded by Director Humphrey, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Maintenance Report.

12. Engineer's Report. There was no report for this item.

13. Discuss next meeting date. The Board made the decision to meet for its next regular meeting on September 16, 2021 at 9:30 a.m. in person at the offices of Norton Rose Fulbright, 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 September 16, 2021.

President, Board of Directors

Attest:

Secretary, Board of Directors

(DISTRICT SEAL)