

HARRIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 61

Minutes of Meeting of Board of Directors

August 25, 2021

The Board of Directors (“Board”) of Harris County Fresh Water Supply District No. 61 (“District”) met on Wednesday, August 25, 2021 in accordance with the duly posted notice of the meeting, with a quorum of Directors present, as follows:

Darrell A. Barroso, President
Lary J. Cangelose, Vice President
Mike Kelley, Secretary
Jon Morgan, Assistant Secretary
Ben A. Solis, Treasurer

and the following were absent:

None.

Also present were Mr. Jerry Homan, general manager for the District; Mr. Brian Breeding, assistant general manager for the District; Ms. Pam Magee, office manager for the District; Ms. Norma Catherman, tax assessor-collector for the District; Mr. Samuel Meza, operations manager for the District; Mr. David Wood, financial advisor for the District; Mr. Bill Rosenbaum and Ms. Kelly Shipley, engineers for the District; Mr. Bob Ideus, bookkeeper for the District; and Ms. Jennifer B. Seipel and Ms. Melissa Parks, attorneys for the District.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. There were no customer inquiries or input for the Board’s consideration.

2. Ms. Catherman presented the tax assessor-collector’s report, a copy of which is attached hereto. The report showed an 95.57% collection rate for the 2020 tax year, with all other tax years excluding 2020 being 99% collected or better. After further review of the report, upon motion made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board approved the tax assessor-collector’s report and payment of the bills listed thereon with checks drawn from the tax fund.

3. The Board discussed the District’s 2021 tax rate. Mr. Wood reviewed the District’s financials with the Board and recommended that, in light of the District’s current financial position and its projected upcoming projects, the Board levy a debt service tax of \$0.29 per \$100 assessed valuation. The Board discussed in some detail upcoming capital improvements projects to be performed over the next several years. The Board also discussed the District’s determination regarding the type of district it is for purposes of Chapter 49 of the Texas Water Code, determining that it was a developed district in a declared disaster area. Accordingly, upon motion made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board adopted a Resolution (1) finding the District to be a developed district in a declared disaster area, (2) calling a public hearing on the District’s proposed 2021

tax rate for September 22, 2021, and (3) authorizing the District's tax assessor-collector to prepare and publish notice of the public hearing, with the noticed rate being \$0.29.

4. Ms. Seipel noted that, pursuant to Section 26.18 of the Texas Tax Code, the District's website will be updated to reflect the proposed 2021 tax rate.

5. Ms. Parks, the District's delinquent tax attorney, then gave a presentation regarding her process for collecting outstanding taxes owed to the District. She explained the process of sending letters threatening the termination of water for nonpayment of taxes and also described the means of obtaining tax liens through legal proceedings. The Board asked Ms. Parks several questions, and Mr. Homan encouraged her to diligently pursue the outstanding monies owed to the District. She agreed to do so. After further discussion, Ms. Parks thanked the Board for their time and left the meeting.

6. Mr. Ideus then presented the fund manager's report, a copy of which is attached hereto. The report showed checks and/or wire transfers in the amounts of (i) \$30,967.86 for engineering services, (ii) \$2,823,863.25 in connection with its biannual debt service payment, (iii) \$31,419.00 in checks associated with the N. Eldridge Parkway project and Magellan Pipeline litigation, and (iv) a check in the amount of \$4,725.00 to Hankinson PLLC, which upon further review was noted to have been changed to \$2,775.00. After discussion, upon motion made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board approved the fund manager's report and the checks listed thereon.

7. The Board then considered the minutes for the meeting held on August 18, 2021. After discussion, upon motion made by Director Kelley, seconded by Director Morgan, and unanimously carried, the Board approved the minutes as presented.

8. Mr. Meza presented the operations report, a copy of which is attached hereto. With respect to water production, the District pumped 59,340,000 gallons from its wells, with an average daily flow of 1,914,194 gallons. The ratio of water pumped to billed was 90% during the month.

At the wastewater treatment plants, the total combined treatment amounted to 80,554,000 gallons with an average daily flow from the plants of 2,598,516 gallons per day. There were 9.3 inches of rainfall during the month of July.

With respect to the distribution and collection system, 20 bacteriological samples were taken with no coliforms detected. The District made three commercial taps and changed out 161 meters.

With respect to out-of-district water use, Emerald Forest Utility District used 244,000 gallons and Harris County MUD No. 248 ("MUD No. 248") used 12,112,000 gallons.

As for personnel matters, a meeting on the benefits of healthy eating is scheduled for September.

After review, upon motion made by Director Morgan, seconded by Director Solis, and unanimously carried, the Board approved the operations report as presented.

9. Mr. Rosenbaum then presented the engineer's report, a copy of which is attached hereto. He noted that, with regard to the District's project to relocate its water and sanitary sewer lines at N. Eldridge Parkway and F.M. 1960, his office is preparing invoices to be submitted to the Texas Department of Transportation ("TxDOT") for reimbursement. He also confirmed that the scheduling of a preconstruction meeting with the contractor is imminent.

Mr. Rosenbaum also provided an update on permit renewals for the District's wastewater treatment plants.

He noted that the District has received several requests for easements from the North Harris County Regional Water Authority (the "Authority"). Mr. Homan is going to request a meeting with the Authority to discuss the matter in a more comprehensive manner.

Lastly, Mr. Rosenbaum discussed with the Board the potential development of a tract located at 10816 Huffmeister.

After further review and discussion, upon motion made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board approved the engineer's report as presented.

10. The Board considered a reimbursement agreement with TxDOT, under which TxDOT will reimburse the District for certain costs associated with the relocation of its water and sanitary sewer lines at FM 1960 and N. Eldridge Parkway. At the outset, Ms. Seipel reminded the Board that the District holds private easements at this intersection, within which most of the lines that TxDOT is requiring to be relocated currently exist. As such, she told the Board that TxDOT is legally obligated to compensate the District, with the compensation being sought by the District being its costs to acquire new private easements for its facilities and to perform the construction activities needed to relocate its existing lines within the new easements. Ms. Seipel then noted that the agreement presented by TxDOT is their form agreement, and all of the District's comments and changes to the terms of the agreement have been rejected and are not incorporated in the document being presented. She noted that TxDOT has agreed to include as an exhibit to the agreement an exception to policy letter, whereby TxDOT is agreeing to reimburse the District for 100% of its costs associated with easement acquisition. Pursuant to another exhibit to the agreement, TxDOT is agreeing to reimburse the District for approximately 75% of its construction costs. Ms. Seipel reviewed the agreement with the Board in some detail, noting that, per the terms of the agreement, the District's right to reimbursement could be jeopardized if the State of Texas or the federal government decides to cease funding this particular project. She also noted that, under the agreement, TxDOT has the right to withhold reimbursement to the District if its contractor uses any materials that violate the Buy America provisions of state and federal law. She reviewed with the Board the process for receiving reimbursement under the agreement, stating that she expected the process to take some time and not be without some roadblocks. Ms. Seipel stated that, in light of the risks that certain provisions in the agreement presented to the District in receiving the money to which it is legally entitled, she could not recommend that the Board sign the agreement. Mr. Homan noted that the attorney was doing her job in making such recommendation, but that other considerations must be taken into account, such as the need to complete the project, avoid litigation, and begin to see money come in by way of the reimbursement agreement. After that discussion, upon motion

made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board approved the reimbursement agreement as presented and authorized the president to sign on the Board's behalf.

11. The Board next considered payment of the general fund bills listed on the report prepared by Ms. Magee, a copy of which is attached hereto. After review, upon motion made by Director Morgan, seconded by Director Solis, and unanimously carried, the Board approved payment of the general fund bills as presented.

12. Mr. Homan, Mr. Breeding, and Ms. Magee presented the management report. Ms. Magee reviewed the District's July financials with the Board. The Board discussed that the District is under budget on revenues for the sale of water.

Mr. Homan also provided a brief update on contract negotiations with Harris County Municipal Utility District No. 222.

Upon motion made by Director Solis, seconded by Director Cangelose, and unanimously carried, the Board approved the management report as presented.

13. The Board considered items for the next agenda, including the District's health insurance.

Secretary

Short Term Action Items

1. Discuss Renewal of the District's Health Insurance

Long Term Action Items

1. Contract Negotiations with Various Entities Served by the District
2. Plans for use of SPA Funds