

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 345

Minutes of Meeting of Board of Directors

January 16, 2023

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 345 (the "District") met in regular session at the Board's designated meeting place at 1300 Post Oak Boulevard, Suite 2500, Houston, Harris County, Texas, on January 16, 2023, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted members of said Board of Directors, as follows:

Everett M. Dalton, President
Keith Wright, Vice President
David Kingma, Secretary
Aaron Pichon, Assistant Secretary
David Vinzant, Assistant Secretary

and all of said persons were present, with the exception of Directors Wright and Pichon, thus constituting a quorum.

Also present were Allen Jenkins and Robert Miller of Inframark Water Infrastructure Operations ("Inframark"); Yaneth Castillo of Municipal Accounts & Consulting, L.P. ("MA&C"); Isabel Mata of Wheeler & Associates, Inc. ("Wheeler"); Jason Robinett of Costello Engineers, Inc. ("Costello"); Melissa Vasquez of FORVIS, LLP ("FORVIS"); and Kate Henderson and Peyton Ellis of Schwartz, Page and Harding, L.L.P. ("SPH"). John Lacy of Costello entered the meeting after it was called to order, as noted herein.

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

PUBLIC COMMENTS

The Board began by opening the meeting for public comments. The Board deferred consideration from the public, as no comments were offered.

APPROVAL OF MINUTES

As the next order of business, the Board reviewed the minutes of its meeting held on December 19, 2022. After discussion of the minutes presented, Director Vinzant moved that the minutes of the December 19, 2022, Board meeting be approved, as written. Director Kingma seconded said motion, which unanimously carried.

ENGAGEMENT OF AUDITOR FOR PREPARATION OF THE DISTRICT'S ANNUAL AUDIT FOR THE FISCAL YEAR ENDING JANUARY 31, 2023

The Board next considered the engagement of an auditing firm to conduct an audit of the District's financial statements and records for the fiscal year ending January 31, 2023. Ms. Vasquez made a presentation to the Board on behalf of FORVIS to provide such auditing services, and advised that FORVIS has estimated the fees for preparation of the District's 2023 audit to be \$17,500, plus expenses, and the fees for the audit of the District's Joint Water Plant and Joint Sewage Treatment Plant accounts to be \$2,700 each, plus expenses. After discussion on the matter, Director Kingma moved that (i) FORVIS be engaged to conduct the District's audit report for the fiscal year ending January 31, 2023, including the Joint Water Plant and Joint Sewage Treatment Plant accounts, in accordance with FORVIS's engagement letter, a copy of which is attached hereto as **Exhibit A**, (ii) the President be authorized to execute FORVIS's engagement letter on behalf of the Board and the District, and (iii) SPH be authorized to acknowledge the Texas Ethics Commission Form 1295 ("Form 1295) submitted by FORVIS in connection with such engagement letter. Director Dalton seconded said motion, which unanimously carried.

Mr. Lacy entered the meeting at this time.

SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Ms. Henderson next informed the Board that, pursuant to provisions of Chapter 403, Texas Government Code, and Chapter 203, Texas Local Government Code, the District is required to annually submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database no later than April 1st of each year. Ms. Henderson recommended that the Board authorize FORVIS to prepare and submit the information for the 2023 reporting period. After discussion on the matter, it was moved by Director Dalton, seconded by Director Kingma and unanimously carried, that FORVIS be authorized to prepare the required information for the 2023 reporting period and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database no later than April 1, 2023.

BOOKKEEPER'S REPORT

Ms. Castillo presented to and reviewed with the Board the Bookkeeper's Report dated January 16, 2023, a copy of which is attached hereto as **Exhibit B**, including the disbursements presented for payment from the District's various accounts, a Fund Balance Report, Pledged Securities Report, Actual vs. Budget Comparisons for the District's various accounts for December 2022, and a Cash Flow Forecast. Following discussion, Director Vinzant moved that the Board approve the Bookkeeper's Report and authorize payment of the disbursements listed therein, with the exception of check nos. 11347 and 11348, which were voided. Director Dalton seconded said motion, which unanimously carried.

Ms. Castillo next presented a proposed operating budget for the District, and proposed budgets for the Joint Sewage Treatment Plant and Joint Water Plant for the fiscal year ending January 31, 2024, copies of which are attached hereto as **Exhibit C**. Ms. Castillo reviewed the subject budgets in detail with the Board. Following discussion, it was moved by Director Vinzant, seconded by Director Dalton and unanimously carried, that the Board approve the proposed operating, Joint Sewage Treatment Plant and Joint Water Plant budgets for the fiscal year ending January 31, 2024, as presented.

RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Ms. Henderson advised that, pursuant to the Public Funds Investment Act, the Board is required to conduct a review such list at least annually. She then presented to and reviewed with the Board a proposed Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, a copy of which is attached hereto as **Exhibit D**, with a list of financial institutions, brokers and dealers attached thereto, and a comparison of the list submitted and the list previously adopted by the Board, a copy of which is included in **Exhibit D**. Ms. Henderson further 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. After discussion, Director Kingma moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District; and (ii) the President and Secretary be authorized to execute same. Director Vinzant seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Mata presented to and reviewed with the Board the Tax Assessor-Collector's Report dated as of December 31, 2022, including the checks presented for payment, a copy of which is attached hereto as **Exhibit E**. Following review and discussion of the report submitted, it was moved by Director Kingma, seconded by Director Vinzant and unanimously carried, that the Tax Assessor-Collector Report dated as of December 31, 2022, be approved, and that the disbursements identified therein be authorized for payment from the District's Tax Account.

GRANTING OF TAX EXEMPTIONS FOR 2023

Ms. Henderson outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Texas Tax Code, as amended. She advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for the year 2023, and the District may also exempt 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 from ad valorem taxes levied by the District during the calendar year 2023, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. Following discussion, Director Vinzant moved that the District (a) not grant the residential homestead exemption, and (b) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$10,000 from ad valorem taxes levied by the District during the calendar year 2023, and that the Resolution Concerning Exemptions from Taxation, which is attached hereto as **Exhibit F**, be approved and adopted by the Board and the District. Director Kingma seconded said motion, which carried unanimously.

DELINQUENT TAX REPORT

Ms. Henderson presented to and reviewed with the Board a Delinquent Tax Report ("Report") dated January 16, 2023, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), the District's delinquent tax collection attorney, a copy of which is attached hereto as **Exhibit G**. The Board noted that there were no action items associated with the Report.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto as **Exhibit H**. Ms. Henderson advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Vinzant, seconded by Director Dalton and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be passed and approved by the Board, and that Perdue Brandon be authorized to proceed with the collection of the District's 2022 delinquent personal property accounts following delivery of proper notice, as provided in said Resolution, including the filing of lawsuits, as necessary.

ENGINEER'S REPORT

The Board next considered the Engineer's Report. In connection therewith, Mr. Robinett presented to and reviewed with the Board an Engineering Report dated January 16, 2023, a copy of which is attached hereto as **Exhibit I**.

In connection with the purchase and installation of two (2) generators to be located at the District's Lift Station Nos. 1 and 2, and one (1) generator to serve the District's Joint Wastewater Treatment Plant located within Longhorn Town Utility District (the "Generator Project"), Mr. Robinett advised the Board that there will be construction materials testing and observation services required in connection with the

Generator Project, and that he will be presenting proposals for such work to the Board for consideration at its next meeting.

Discussion ensued regarding the City of Houston's (the "City") requirement that the District convert from groundwater to surface water at some point in the future. In connection therewith, Mr. Lacy introduced himself to the Board and gave a presentation to address the Board's concerns regarding converting the District's current infrastructure to accommodate surface water and subsidence occurring within the District and surrounding areas. He then advised that Costello does not expect the City to require the District to convert from groundwater to surface water before the year 2035. He further advised that once the City does convert to surface water, the District's infrastructure will need to be converted to accommodate surface water and to ensure compatibility with the City's system. He noted that once the District converts its system to accommodate surface water, the District will not be able to provide/receive water via interconnect with any entities that have not converted to surface water. Following discussion, Director Dalton requested that Ms. Henderson review the District's Emergency Water Supply Contract with Harris County Municipal Utility District No. 216 ("No. 216") and Harris County Municipal Utility District No. 346 ("No. 346") to determine whether said Contract describes the District's rights/obligations in the event that the District is unable to receive water from No. 216 due to incompatibility between the districts' systems.

Mr. Robinett then advised the Board that the District received a Notice of Violation dated as of November 3, 2022, from the Texas Commission on Environmental Quality (the "TCEQ"), a copy of which is included with the Engineer's Report, and noted that the District's consultants are working to address same with the TCEQ.

ACQUISITION OF PROPERTY OWNED BY SECOND BAPTIST CHURCH FOR A SECOND WATER WELL

In connection with the possible acquisition of property owned by Second Baptist Church (the "Church") for the drilling of a second water well, Ms. Henderson reminded the Board that the engineer for No. 346 has approved the proposed second water well site (the "Site") and associated easements, and that the Board of Directors of No. 346 requested more time to decide whether or not it wishes to proceed with submitting an offer to the Church for the purchase of the Site. In that regard, Ms. Henderson advised the Board that she has still not received a response from No. 346 regarding its decision on the matter. Following a lengthy discussion on the matter, the Board determined that it would prefer not to wait any longer to receive a decision from No. 346, and upon motion duly made by Director Dalton, seconded by Director Kingma, and unanimously carried, the Board authorized SPH to proceed with submitting an offer to the Church for the purchase of the Site, with or without the decision of No. 346.

OPERATIONS REPORT

Mr. Miller presented to and reviewed with the Board the Operations and Maintenance Report ("Operations Report") for the month of December 2022, a copy of which is attached hereto as **Exhibit J**.

Mr. Miller advised the Board that the well motor located at the District's Water Plant experienced a failure and has been pulled from service for repair. He further advised the Board that the District opened the interconnect valve with West Park Municipal Utility District. Mr. Miller then presented to and reviewed with the Board a quote prepared by Alsay Incorporated ("Alsay") for repair of the well motor in the amount of \$31,697.40, a copy of which is attached hereto as **Exhibit K**. Mr. Jenkins reminded the Board that the well motor was previously repaired by Alsay, and advised that he is working to determine whether the well motor is still under warranty from such repair. He further advised that he will obtain additional information regarding repair of the well motor and present same to the Board for consideration at its next meeting. Following discussion, no action was taken by the Board in connection with this matter.

Mr. Jenkins next advised the Board of correspondence received from the Department of Health ("DOH") in connection with an analysis report of its testing of single metals in the District's water, a copy of which is included with Exhibit J. A discussion next ensued regarding the District's water quality and the status of compliance with the TCEQ's regulations relative to same. Mr. Jenkins informed the Board that the TCEQ will perform quarterly testing of the District's water due to the DOH report. In that regard, Director Dalton moved to authorize Inframark to conduct independent testing of the District's water system to ensure compliance with the TCEQ's regulations pertaining to water quality. Director Kingma seconded the motion, which unanimously carried.

A discussion then ensued regarding No. 216's recent well failure. In connection therewith, Mr. Jenkins advised the Board that the District has not received water from No. 216 since August 2022, despite requests for water. Ms. Henderson reminded the Board that the Emergency Water Supply Contract between the District, No. 346, and No. 216, as amended, requires the District to take or pay for 30,000,000 gallons of water per year. Following discussion, the Board requested Ms. Henderson review the terms of such Contract to determine whether the District is required to pay for such 30,000,000 gallons of water if No. 216 is unable to provide the water.

CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing Inframark to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Ms. Henderson advised the Board that, pursuant to reporting requirements promulgated by the United States Environmental Protection Agency, the District is required to provide 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 by April 1, 2023. Following discussion, Director Dalton moved that the Board authorize Inframark to provide the required information, as discussed. Director Vinzant seconded the motion, which unanimously carried.

SECURITY MATTERS

Discussion ensued regarding security matters throughout the District. In connection therewith, Ms. Henderson presented to and reviewed with the Board a Green Trails Monthly Report dated as of December 2022, a Harris County Constable Pct 5 Beat Activity Report for the month of December 2022, and a Yearly Totals Report, copies of which are attached hereto as **Exhibit L**.

AMENDMENT TO THE EMERGENCY AND INTERIM WATER SUPPLY AGREEMENT WITH WEST PARK MUNICIPAL UTILITY DISTRICT ("WEST PARK")

The Board considered an amendment to the Emergency and Interim Water Supply Agreement between the District, West Park, Longhorn Town Utility District ("Longhorn"), and No. 346 (the "Emergency Water Supply Agreement"). In connection therewith, Ms. Henderson advised the Board that SPH received confirmation from West Park and Longhorn that each is amenable to amending the Emergency Water Supply Agreement to provide for an increase in the cost paid to the District for usage of water, from \$0.75 per thousand gallons of water used to \$1.00 per thousand gallons of water used. She informed the Board that she has not received confirmation from No. 346 that it is amenable to the proposed amendment. Following discussion, Director Kingma moved to authorize SPH to prepare a draft of the amendment to the Emergency Water Supply Agreement, subject to receipt of confirmation from No. 346 that it is amenable to such amendment. Director Dalton seconded the motion, which unanimously carried.

STATUS OF IMPLEMENTATION OF MASS COMMUNICATION MESSAGING SYSTEM BY CLASSIC MESSAGING LLC ("CLASSIC MESSAGING") AND DISCUSSION REGARDING OPT-IN CAMPAIGN RELATIVE TO SAME

The Board discussed the status of the implementation of a mass communication messaging system through Classic Messaging and the Opt-In Campaign relative to same. In connection therewith, Director Dalton reported that Director Pichon never received a response from Classic Messaging regarding the status of the implementation of the District's mass communication messaging system. Mr. Miller advised the Board that he has communicated with Classic Messaging to coordinate the passing of District information between Inframark and Classic Messaging, and the distribution of notices to District residents will be mailed next week. Following discussion, the Board took no action in connection with this matter.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board next discussed the renewal of the District's insurance coverages and authorizing the solicitation of proposals for same. Ms. Henderson stated that the District's current insurance coverage through HARCO Insurance Group ("HARCO"), which was recently acquired by Brown & Brown Lone Star Insurance Services, Inc. ("Brown & Brown"), will expire on March 31, 2023. After discussion concerning the various options available to the District, Director Vinzant moved to authorize SPH to

solicit Brown & Brown for a renewal proposal for the District's insurance coverages and various directors and consultants bonds for the term ending March 31, 2024. Director Kingma seconded the motion, which unanimously carried. The Board concurred that such proposal will be reviewed and discussed at its next meeting.

ATTORNEY'S REPORT

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

STATUS OF POTENTIAL LITIGATION INVOLVING THE DISTRICT

The President noted that the Board would discuss the District's involvement in litigation in Closed Session.

CLOSED SESSION

The President announced at 1:19 p.m. that the Board would convene in Closed Session pursuant to Texas Government Code, Section 551.071. All of those in attendance, with the exception of the Board, Ms. Ellis and Ms. Henderson, exited the meeting at this time.

RECONVENE IN OPEN SESSION

The Board reconvened in Open Session at 1:20 p.m., with the Board, Ms. Ellis and Ms. Henderson in attendance.

Following discussion of matters relative to the pending litigation involving the District, no action was taken by the Board.

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 Dalton, seconded by Director Kingma and unanimously carried, the meeting was adjourned.




Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A – Audit Engagement Letter (FORVIS, LLP)
- Exhibit B – Bookkeeper's Report
- Exhibit C – Approved Budgets for Fiscal Year Ending January 31, 2024
- Exhibit D – Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
- Exhibit E – Tax Assessor/Collector Report
- Exhibit F – Resolution Concerning Exemptions from Taxation
- Exhibit G – Delinquent Tax Report
- Exhibit H – Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit I – Engineering Report
- Exhibit J – Operations Report
- Exhibit K – Quote for Repair of Well Motor by Alsay Incorporated
- Exhibit L – Green Trails Monthly Report dated as of December 2022, Harris County Constable Pct. 5 Beat Activity Report, and Yearly Totals Report