

MINUTES OF REGULAR MEETING
HEATHERLOCH MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS

20 June 2022

STATE OF TEXAS
COUNTY OF HARRIS

The Board of Directors (the "Board") of Heatherloch Municipal Utility District (the "District") of Harris County, Texas, met in regular session, open to the public, on the 20th day of June 2022, at the Old Bridge Lake Clubhouse, 182 Old Bridge Lake, Houston, Texas, inside the boundaries of the District. Whereupon, the roll was called of the members of the Board of Directors, to-wit:

Barry I. King	President
Cecile Ceylan	Vice President
Gerry Wright	Secretary
John Marks	Treasurer
Wayne Verrett	Assistant Vice President/Assistant Secretary

and all of said persons were present in person, thus constituting a quorum.

Also present in person were Debra Loggins of L&S District Services, LLC ("L&S"), the District's Bookkeeper; Pam Madrigal, P.E. and Wesley Lay, E.I.T. of Quiddity Engineering, LLC ("Quiddity"), the District's Engineer; Rich Rankin of H2O Innovation, Inc. ("H2O"), the District's Operator; Sergeant David Mathieu and Deputy Anthony Lopez of the Harris County Precinct 4 Constable's Office ("Precinct 4"); Brittany Keeswood of Assessments of the Southwest, Inc. ("Assessments"), the District's Tax Assessor/Collector; Mohammed Khan, Muhammed Ahmed, and Inayath Mohammed of Raymax and Stuebner Development, LLC ("Raymax"); David Beyer of Storm Water Solutions, a Beyer Company; and Renae Ely of Coats Rose, P.C. ("Coats Rose"), the District's Attorney. Also present by video conference were Dick Yale and Cole Konopka of Coats Rose.

First, Director King called the meeting to order, and he noted that there were no members of the public present.

CONSENT AGENDA

The Board then reviewed the items reflected on the Consent Agenda. Ms. Ely explained that this portion of the agenda addressed routine matters of the Board, and that no separate discussion of such items will occur unless a Director or a member of the public requests that an item be moved to the regular portion of the meeting agenda. The Board then considered (1) the Harris County Constable Precinct 4 Contract Activity Statistical and Summary Report (the "Security Report") for May 2022; (2) the minutes of the meetings of 9 May 2022 and 16 May 2022; (3) the Bookkeeper's Report; (4) the Tax

Assessor/Collector's Report; and (5) the May 2022 Website Report. Director Verrett mentioned that the 16 May 2022 minutes did not include discussion regarding the Board's decision considering the possible installation of a 12-inch valve at the Bammel Utility District ("Bammel UD") interconnect meter site. Director King then pointed out that specific financial information appeared to be missing from the Bookkeeper's Report. Ms. Loggins explained that the financial information was not included as an error on the part of L&S and that the information would be supplemented to the Board following the conclusion of the meeting.

The Board then reviewed the list of accounts delinquent in the payment of taxes, penalties, and interest due to the District. Ms. Keeswood noted that delinquent accounts for the tax year 2022 were included in the list, and she said that notices from Assessments had been mailed to the delinquent accounts. She further explained that on 1 July 2022, Assessments would forward the remaining delinquent accounts, to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), the District's attorney for the collection of delinquent taxes. Ms. Keeswood stated that the additional 20% charge would be added to the 2021 accounts that remained delinquent on 1 July 2022 to pay for the collection of the delinquent taxes. A copy of the Perdue Brandon delinquent summary is included with the Bookkeeper's Report. A brief discussion then ensued regarding the timeline for transferring uncollectible delinquent accounts to the District's uncollectible roll. Ms. Keeswood said that she expected to have a report for the Board at the August 2022 or September 2022 meeting.

After discussion, upon motions duly made and seconded, the Board voted unanimously to approve (1) the Security Report; (2) the minutes of the meetings of 9 May 2022 and 16 May 2022; (3) the Bookkeeper's Report, as corrected, including the payment of invoices and checks presented; (4) the Tax Assessor/Collector's Report, including the payment of invoices submitted; and (5) the Website Report. Copies of the Security Report, Bookkeeper's Report, Tax Assessor/Collector's Report, and Website Report are attached as exhibits to these minutes.

ACTION AGENDA

Next, Mr. Lay presented the Engineer's Report, a copy of which is attached as an exhibit to these minutes.

Regarding the Lift Stations Nos. 1 & 2 Improvement Project with McDonald Municipal and Industrial, a division of C. F. McDonald Electric, Inc. ("McDonald"), Mr. Lay reminded the Board that McDonald completed work on Lift Station No. 1 and that the natural gas generator to serve Lift Station No. 2 is expected to arrive by 2 August 2022.

Mr. Lay then provided an update on the design of the Water Plant No. 1 Expansion – Phase I Project (the "Project"). He reported that Quiddity received five bids on 7 June 2022, and that the low bid was received from Wharton-Smith, Inc. ("Wharton-Smith") in the amount of \$2,983,820.00, with a 420-calendar day completion period. Mr. Lay then addressed questions from the Board, noting that Quiddity has had prior work experience

with Wharton-Smith and finds them to be an acceptable contractor. He then summarized the supplemental bid items, including recoating of the interior of Ground Storage Tank No. 1 and an alternative bid item for a six-foot chain link barbed wire fence to be installed in lieu of the eight-foot chain link fence that was included in the base bid amount. After consideration, upon a motion duly made and seconded, the Board voted unanimously to accept the bid of Wharton-Smith, Inc. for construction of the Water Plant No. 1 Expansion – Phase 1 Project in the amount of \$2,983,820.00. A copy of the bid tabulation and Quiddity's recommendation for award of the contract is included with the Engineer's Report. Ms. Madrigal noted that the contracts would be presented to the Board for execution at the 18 July 2022 meeting. Mr. Yale then addressed the funding of the Project with the Board. Ms. Madrigal recalled previous discussions with the Board wherein it was determined that the Project would be funded by the District's General Operating account until future bond funds were issued. Mr. Yale suggested that the Board consider at its 18 July 2022 meeting a resolution declaring the District's intent to reimburse the Project costs from future bond funds.

Then Mr. Lay reported on the status of ongoing projects at the joint Wastewater Treatment Plant WWTP (the "WWTP") with Water Control & Improvement District No. 116 ("WCID No. 116"). Regarding the WWTP Headworks, Mechanical Screen, and Aeration Basin Project, Mr. Lay recalled that a pre-construction meeting was held with AEI Engineering, a Baxter & Woodman Company ("AEI"), the Engineer for WCID No. 116, and R. P. Constructors, LLC ("R.P.") on 26 April 2022, and that notice to proceed was issued on 2 May 2022. Mr. Lay said R.P. plans to mobilize onsite in August 2022.

Mr. Lay then reported that a scope of work and cost estimate was received by Quiddity from AEI for design of blower improvements and building modifications at the WWTP. He recalled that the preliminary construction cost is estimated to be \$554,600.00 and that the District's share of the project cost is expected to be \$298,630.77. Mr. Lay noted that AEI has initiated design of the construction plans which are expected to be presented to Quiddity for review in August 2022.

Reporting on the activities with WCID No. 116, Mr. Lay said that the Texas Pollutant Discharge Elimination System multi-sector general discharge permit issued by the TCEQ for the WWTP would expire on 16 April 2023. He noted that before 18 October 2022, AEI would submit the renewal application to the TCEQ. He recalled that the application renewal fee by AEI is \$25,000.00 and the District's share of the required fee is \$13,461.54.

Regarding the status of development of the 7.04-acre tract located at 14960 Wunderlich Drive in the District by Wunderlich Development, LLC ("Wunderlich Development"), Mr. Lay reported that ISJ Underground Utilities, LLC ("ISJ") has completed all of the construction of the water and sanitary sewer facilities to serve the project except for the water connections to the public water line located on Wunderlich Drive. Mr. Lay said that Quiddity expected that ISJ would submit a Pay Estimate for the Board's approval at the 18 July 2022 meeting.

Regarding the District's existing Emergency Water Supply Agreement (the "Agreement") with Bammel Utility District ("Bammel UD"), Ms. Madrigal explained that she accompanied Director King to the 13 June 2022 Bammel UD Board of Directors meeting to discuss the existing Agreement. Director King summarized his opinions regarding the Bammel UD's Board of Directors' statements relating to historic interconnect water usage between the two districts. He explained that he recommended that the Bammel UD Board of Directors determine a formula for calculating the shared cost of water under an updated Agreement. He said that he believed that the Bammel UD Board of Directors remained steadfast in their decision not to incur any expenses in determining a interconnect water rate, but that he believed that the Bammel UD representatives were ultimately authorized by the Bammel UD Board of Directors to proceed. Director King noted that the Bammel UD Engineer recommended that the rate of water be based on the North Harris County Regional Water Authority's (the "Water Authority") guidelines for groundwater and surface water rates. Director King said that he did not believe that was the best course of action for the District. He also noted that he recently met with Mr. Rankin who demonstrated the valve locations for the District's interconnects. Ms. Madrigal said that she had no updates at this time from the Bammel UD Engineers regarding their progress on determining a water rate under the Emergency Water Supply Agreement. After a question from Director Ceylan, Director King said that he believed it was premature to terminate the existing Agreement with Bammel UD at this time.

Mr. Lay then presented for the Board's review and approval correspondence from Quiddity dated 23 May 2022 wherein Quiddity disclosed that it is engaged by both the District and Harris County Municipal Utility District No. 551 ("MUD 551") to provide general engineering consulting services. Mr. Lay noted that the correspondence sets out that the engagement of the District and MUD 551 are under separate professional service agreements and that different Engineers represent both entities. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the representation correspondence from Quiddity as presented. A copy of the 23 May 2022 correspondence is attached as an exhibit to these minutes.

Regarding annexation of a 19-acre tract of land located adjacent to the District at the southwest corner of Strack Road and Stuebner Airline Road (the "19-acre tract"), Mr. Lay recalled that in 2021 Quiddity prepared a Feasibility Study for the 19-acre tract for Five Le, LLC which subsequently sold the property to Raymax. Mr. Lay noted that Raymax is proposing construction of a commercial development that would include four retail centers with frontage located along Stuebner Airline Road, as well as 32 retail office buildings. Mr. Lay noted that with the Board's approval, the 2021 Feasibility Study would need to be updated. After a question from the Board, Mr. Lay explained that Raymax had provided a \$10,000.00 deposit for initial engineering and legal fees associated with preparation of the Feasibility Study. After discussion, upon a motion duly made and seconded, the Board authorized Quiddity to prepare a Feasibility Study for the Raymax property as discussed. Mr. Lay then introduced the owners of the Raymax property to the Board and addressed questions from the Board, including water and sanitary sewer capacity requirements and the proposed timeline of construction.

Then Mr. Lay explained that on 18 May 2022, representatives of Quiddity attended the MUD 551 Board of Directors meeting to address any questions or concerns associated with the Water Plant No. 1 Expansion – Phase I Project. He said that it was his understanding that a copy of the Installment Payment Agreement between the District and MUD 551 had been executed by the MUD 551 Board of Directors and routed to the Board for approval and execution. Ms. Ely confirmed the same and presented for the Board's approval a copy of the Installment Payment Agreement, a copy of which is attached as an exhibit to these minutes.

Then Mr. Lay reported that Quiddity was recently contacted by representatives of Champions Forest Baptist Church requesting water irrigation capacity from the District's public waterline located on Latson Road. Mr. Lay said that a site layout was requested from the church before any determination could be made regarding service availability.

Finalizing his report, Mr. Lay briefly updated the Board regarding updates and Quiddity's efforts to improve the accuracy of the District's Geographic Information System ("GIS") mapping. The Board discussed the recent findings by Quiddity associated with the updated GIS mapping.

After discussion, upon motions duly made and seconded, the Board voted unanimously to (1) approve the Engineer's Report; (2) award the contract for the Water Plant No. 1 Expansion – Phase I Project to Wharton-Smith, Inc. in the amount of \$2,983,820.00, subject to final review by Coats Rose; (3) authorize Quiddity to prepare an annexation Feasibility Study for the 19-acre tract owned by Raymax and Stuebner Development, LLC; and (4) approve the Installment Payment Agreement between the District and MUD 551 for the Water Plant No. 1 Expansion – Phase I Project as presented and authorize Director King to execute the same.

Next, Mr. Rankin submitted the monthly Operator's Report for review with the Board, a copy of which is attached as an exhibit to these minutes. He reviewed the billing and collection information and noted that the District currently served 609 connections, in addition to 432 connections within MUD 551. All bacteriological test results were favorable, he continued. Mr. Rankin noted that the total water accountability for the District in May 2022 was 98.82%. The Board briefly discussed remedies to improve the District's water accountability. Director Ceylan discussed her efforts to monitor water loss and irrigation activities at the Trophy Club Condominiums (the "Trophy Club"). Mr. Rankin said that he would meet with Director Ceylan after the meeting and provide information that she could make available to the Trophy Club representatives regarding expected drought conditions in the District.

Mr. Rankin then reported on the terminations of services due to nonpayment of amounts due to the District for water and sanitary sewer services during May 2022. He also called the Board's attention to the Pre-Approved Cut List of accounts that were delinquent in the payment of amounts due to the District for services in June 2022. He noted that the customers had been provided with all the notifications required pursuant to the District's Consolidated Rate Order. The Board observed that there were no persons

present to protest their billing from the District. Mr. Rankin requested Board approval to apply the remaining deposit amounts to pay down a portion of the delinquent amounts owed for the 14530 Bending Maple Drive account. He assured the Board that the resident would receive correspondence from H2O regarding the account activity and subsequent account closure.

Finalizing his report, Mr. Rankin presented a proposal for installation of three lock boxes to be installed on District's interconnect valves in the amount of \$5,403.00. He then presented proposals for an 8-inch interconnect meter and concrete vault totaling \$56,512.71 and a 12-inch interconnect meter and concrete vault totaling \$93,985.25. The Board briefly discussed the options as presented and Mr. Rankin addressed questions from the Board. Copies of the proposals are attached as exhibits to these minutes.

After discussion, upon a motions duly made and seconded, the Board voted unanimously to (1) approve the Operator's Report; (2) authorize termination of services to the accounts unpaid on the deadline date; (3) authorize H2O to allocate the remaining deposit amounts to the delinquent amounts owed to the 14530 Bending Maple Drive account; and (4) authorize the purchase and installation of three lock boxes for the District's interconnect valves in an amount not to exceed \$5,403.00 and to not purchase and install meters and vaults on the District's interconnect valve locations until such time as it is determined necessary.

A discussion then ensued regarding the 27 May 2022 correspondence from the TCEQ regarding possible drought conditions in Texas during the summer months, and conservation and alternative water supply measures that can be taken by the District. A copy of the TCEQ correspondence is attached as an exhibit to these minutes. Mr. Rankin briefly discussed the requirements under the District's Drought Contingency Plan that would need to be implemented in the event of drought regulations are imposed by the Water Authority.

Director Wright then reported that the next regular FM1960 Green Medians Board of Directors meeting was scheduled for 2 August 2022. Director Wright noted that a special meeting with the FM1960 Green Medians Board of Directors will be held in June to discuss the installation of CenterPoint Energy transmission lines associated with the recent construction. Director Ceylan inquired as to why representatives of the District no longer attend the monthly Water Authority meetings. Director King noted that information discussed at the Water Authority Board of Directors meeting is made available to the public via their website.

Mr. Beyer then introduced himself to the Board and presented for the Board's review a Storm Water Management Program Report dated June 2022, a copy of which is attached as an exhibit to these minutes. He explained that Storm Water Solutions manages the detention basin, related storm sewer drainage system, and the storm water quality features located in Mittlestedt Estates. Mr. Beyer said that he simply wanted to introduce himself and be available to answer any questions from the Board.

With there being no further business to come before the Board, the meeting was adjourned.



Gerry Lesig
Secretary, Board of Directors