

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 278

April 11, 2024

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 278 (the "District") met in regular session, open to the public, on the 11<sup>th</sup> day of April, 2024, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Shantai Magee	President
Tommie Ruth Allen	Vice President
Gwen Thornburg	Secretary
Eugene Newsom	Assistant Vice President
Vacant	Assistant Secretary

and all of the above were present, thus constituting a quorum.

Also attending the meeting were Niyaz Irsaliev, Sam Karimov, and Shahid Niaz of KG Construction; Paul Poteet, Kort Marley, and Ty Gaston of Poteet Construction Services, LLC; Salim Obeid of RSG Engineering; Anton Edwards of Houston Habitat for Humanity; Ethan Boening of KB Home; Dane Turner of Best Trash, LLC; Zach Halbert of Champions Hydro-Lawn, Inc. ("Champions"); Kevin Gilligan of BGE, Inc. ("BGE"); Juan Alexander and Jarryd Mayfield of Si Environmental, LLC ("Si"); Angie Hartwell of Touchstone District Services ("Touchstone"); and Adisa Harrington, Hope Palmer, and Maricela Guerrero of Allen Boone Humphries Robinson LLP ("ABHR").

### MINUTES

The Board considered approving the minutes of the regular meeting of March 14, 2024. After review and discussion, Director Allen moved to approve the minutes, as presented. Director Thornburg seconded the motion, which passed unanimously.

### PUBLIC COMMENTS

Ms. Harrington offered any members of the public attending the meeting the opportunity to make public comment. There being no members of the public wishing to address the Board at this time, Ms. Harrington closed the public comments portion of the meeting.

### WEBSITE MATTERS

Ms. Hartwell distributed and reviewed the monthly communications report regarding the District's website, a copy of which is attached.

## DEVELOPER REPORT

Mr. Boening updated the Board regarding development matters.

## ENGINEERING REPORT

Mr. Gilligan presented and reviewed the engineer's report, a copy of which is attached.

Mr. Gilligan updated the Board regarding construction of the wastewater treatment plant expansion and stated there were no items for the Board's approval.

Mr. Gilligan updated the Board regarding construction of the walking trail around the Blackstone Creek detention pond and stated there were no items for the Board's approval.

Mr. Gilligan updated the Board regarding design of the new ground storage tank at water plant no. 2 and stated there were no items for the Board's approval.

Mr. Gilligan noted he will include the current Capital Improvement Plan (the "CIP") in the engineer's report going forward. There was no discussion needed regarding the CIP at this time.

Mr. Gilligan presented and reviewed a proposal from BGE in the amount of \$50,000.00 for preparation of the next bond application. He also reviewed a draft summary of costs for a bond issuance in the amount of \$8,300,000.00, which includes the use of surplus funds in the approximate amount of \$3.6 million. Copies of the proposal and the draft summary of costs are included in the engineer's report.

Director Newsom arrived at the meeting.

Mr. Gilligan then discussed using surplus operating funds to reimburse KB Home for water, sewer and drainage facilities to serve Villages of Tour 18, Section 3, and he presented and reviewed a summary of costs for a surplus funds application to the Texas Commission on Environmental Quality (the "TCEQ") in the amount of \$650,608.00, a copy of which is included in the engineer's report. Ms. Harrington then reviewed a Resolution Authorizing Application to the TCEQ for Use of Surplus Funds. The Board then considered engaging FORVIS, LLP ("FORVIS") to prepare a developer reimbursement report in connection with the surplus funds application. Ms. Harrington presented a proposal from FORVIS to prepare the report based on FORVIS's normal hourly rate schedule.

Mr. Gilligan reviewed requests for capacity in the District's water and wastewater system. Mr. Gilligan then reviewed an annexation request for a 21.7-acre tract at

Atascocita Road and Wilson Road, proposed to be called the Atascocita Road Industrial Park, that is within the City of Houston's (the "City") city limits, noting that the landowner is proposing to develop the tract for mixed-use commercial, including office, warehouse, and retail space. Mr. Irsaliev presented photographs of other similar projects developed by KG Construction and an updated site plan for Atascocita Road Industrial Park, copies of which are attached. He stated that based on the updated site plan, he would need 35-40 equivalent single-family connections ("ESFCs") in the District's water and wastewater system to serve approximately 5 to 12 units within the development. Discussion ensued. Mr. Gilligan noted that the District cannot commit to providing wastewater capacity for the project until the second phase of the wastewater treatment plant expansion is complete, which will be in approximately 2.5 years. Mr. Irsaliev discussed his plans to request de-annexation from the City, which first requires a commitment of capacity from the District. He discussed phasing the project in order to obtain a smaller wastewater capacity commitment prior to the wastewater treatment plant expansion, and Mr. Gilligan stated he will review related options. Ms. Harrington stated there is no District reimbursement available for any portion of the proposed development.

Mr. Edwards stated that Houston Habitat for Humanity ("HHH") is interested in purchasing the 21.7-acre tract from KG Construction, which HHH is interested in developing as 150 single-family homes, 40% of which would be sold as affordable housing and 60% of which would be sold at market rate.

Mr. Gilligan then discussed a request from Providence Church Atascocita ("Providence Church") for two ESFCs in the District's water and wastewater system for construction of a church on Timber Forest Drive. A copy of the site plan for the church is included in the engineer's report. Mr. Gilligan stated that since churches are non-taxable users, the District should also require a non-taxable user fee, in addition to the \$7,500 utility commitment letter ("UCL") fee. Mr. Poteet discussed the project with the Board, noting that the existing trees will not be removed from the 8-foot buffer and that only full-shade lighting will be installed near adjacent houses.

Mr. Gilligan stated that pursuant to the District's UCL with Waste Management ("WM"), WM is required to obtain Board approval of their schematic layout. He noted that WM's schematic layout is included in the engineer's report for the Board's review.

Mr. Gilligan updated the Board regarding commercial development including the status of the following sites: the gym addition for River Pines Elementary School, Creekstone at Tour 18 LLC, and Timber Forest Business Park.

Mr. Gilligan updated the Board regarding the proposed rehabilitation of the Williams Gully weirs, as well as maintenance of a portion of Williams Gully identified by Harris County Flood Control District ("HCFCD") as an "orphan channel," which was constructed by Trail of the Lakes Municipal Utility District but never accepted for

maintenance by HCFCD. He stated he will follow up with HCFCD regarding any refund available to the District for the weirs project, and he reported that construction of the channel project is ongoing.

Mr. Gilligan updated the Board regarding the pending inventory of District service lines, which is being undertaken by BGE and Si pursuant to the Lead and Copper Rule Revisions issued by the Environmental Protection Agency.

Following review and discussion, Director Newsom moved to: (1) approve the engineer's report; (2) approve the engineer's proposal for preparation of the bond application; (3) with regard to the surplus funds application, authorize the engineer to prepare the application, engage FORVIS to prepare the developer reimbursement report, and approve the Resolution Authorizing Application to the TCEQ for Use of Surplus Funds; (4) authorize preparation of a UCL for Providence Church, subject to receipt of the UCL fee and the non-taxable user fee; and (5) approve the schematic layout presented for WM. Director Thornburg seconded the motion, which passed unanimously.

#### ANNEXATION MATTERS

Ms. Harrington updated the Board regarding proposed annexation into the District of the 5.9977-acre tract of land located along Atascocita Road between the Pentecostal Church and Blackstone Creek (the "Annexation Tract"). She stated the annexation is currently being reviewed by the City. Ms. Harrington reviewed a letter from Houston Public Works that states construction of vertical structures on the Annexation Tract should be limited to 270 feet due to the vicinity of the Annexation Tract to the Houston Intercontinental Airport. Ms. Harrington then reviewed an amendment to the annexation agreement with 3A Development LLC requiring they comply with the height restriction. A copy of the letter from Houston Public Works is attached. Following review and discussion, Director Newsom moved to approve the amendment to the annexation agreement. Director Allen seconded the motion, which passed unanimously.

Director Magee left the meeting.

#### OPERATION OF DISTRICT FACILITIES

Mr. Mayfield reviewed a report on operating matters in the District, a copy of which is attached. He noted that the water accountability was 95.23% for March, 2024. He reviewed recently completed and pending maintenance and repairs.

Mr. Mayfield provided the Board with the annual water loss audit, which he stated has been submitted to the Texas Water Development Board. A copy of the report will be retained in the District's official records.

The Board noted that the apartment complex in the District contains numerous residents, Fresenius Kidney Care is a medical facility, and the school in Humble

Independent School District is a school, and thus utility services should not be terminated for any delinquent payments by the account holders.

The Board then conducted a hearing on the termination of utility service to delinquent accounts. Mr. Mayfield reported that the persons on the termination list were mailed written notice prior to this meeting, in accordance with the District's Rate Order, notifying them of the opportunity to appear before the Board of Directors to explain, contest, or correct the utility service bill and to show reason why utility service should not be terminated for reason of nonpayment.

Following review and discussion, Director Newsom moved to: (1) approve the operator's report; and (2) authorize termination of delinquent accounts in accordance with the District's Rate Order, with the exception of the apartment complex, Fresenius Kidney Care, or River Pines Elementary School, and direct that the delinquent customer list be filed appropriately and retained in the District's official records. Director Allen seconded the motion, which passed unanimously.

#### RATIFY APPROVAL OF ANNUAL REPORT ON THE DISTRICT'S IDENTITY THEFT PREVENTION PROGRAM

Mr. Mayfield noted that he presented the annual report on the District's Identity Theft Prevention Program at the previous Board meeting. After discussion, Director Newsom moved to ratify the annual report on the Identity Theft Prevention Program, continue the program as currently operating, and direct that the report be filed appropriately and retained in the District's official records. Director Allen seconded the motion, which passed unanimously.

#### GARBAGE COLLECTION MATTERS, INCLUDING CONSUMER PRICE INDEX ("CPI") UPDATE

Mr. Turner presented and reviewed a letter from Best Trash notifying the Board of a CPI increase in the cost of garbage collection service from \$25.02 to \$26.55, effective April, 2024. A copy of the letter is attached. The Board then considered amending the District's Rate Order to account for the increased garbage rate.

Director Magee returned to the meeting.

#### REVIEW WATER AND SEWER RATES AND, IF APPROPRIATE, AMEND THE DISTRICT'S RATE ORDER

The Board considered the City's recent change in procedures for collection of fees from Districts in connection with the Groundwater Reduction Plan ("GRP"). The Board also considered the water use and water rate analysis that was provided by Mr. Gilligan at the previous Board meeting. Following review and discussion of the City's GRP

collections and the change to the garbage collection fee, Director Newsom moved to amend the District's Rate Order as follows: (1) increase the GRP fee to \$3.15 per 1,000 gallons; (2) increase the base water rate for single-family residential users to \$25.10; and (3) increase the base sewer rate for single-family residential users to \$35.10. Director Allen seconded the motion, which passed unanimously.

MAINTENANCE OF DISTRICT FACILITIES

Mr. Halbert presented and reviewed the report on maintenance of the District's facilities, a copy of which is attached. He noted Champions will fill the sinkhole at the Blackstone Creek church with dirt. After discussion, Director Newsom moved to approve the maintenance report. Director Allen seconded the motion, which passed unanimously.

ACTION ITEM LIST

The Board reviewed and received updates on all items on the action item list, a copy of which is attached.

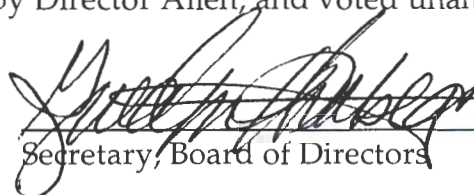
ADDITIONAL REPORTS FROM DIRECTORS AND CONSULTANTS

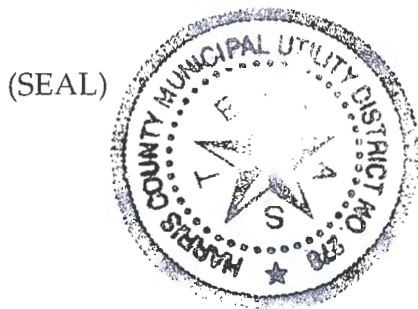
The Board discussed the signs in the District related to water conservation measures taken in accordance with the Drought Contingency Plan during the recent drought event. Following discussion, the Board concurred that the operator should remove the signs.

For the Board's execution, Ms. Palmer presented the annual letter agreement with Blackstone Creek Homeowners' Association for the 2024 reimbursement from the District for Flock Safety license plate readers in the amount of \$4,482.01. She noted that the Board previously approved renewal of the annual letter agreement.

There were no additional reports from directors or consultants.

There being no further business brought before the Board, and based on a motion made by Director Newsom, seconded by Director Allen, and voted unanimously by the Board, the meeting was adjourned.

  
Secretary, Board of Directors



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