

## MINUTES CINCO MUNICIPAL UTILITY DISTRICT NO. 3

September 16, 2021

The Board of Directors (the "Board") of Cinco Municipal Utility District No. 3 (the "District") met in regular session, open to the public, on the 16th day of September, 2021, at the offices of Inframark Water & Infrastructure Services, 2002 West Grand Parkway North, Suite 100, Katy, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Linda Larvin	President
Christina Och	Vice President
Douglas Schroeder	Secretary
Kent Fahey	Assistant Secretary
Allison Bognar	Assistant Vice President

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

Also attending the in person or by teleconference meeting were Julie Gerdes of Rathmann & Associates, L.P. ("Rathmann"); Jennifer Hanna with BKD, LLP ("BKD"); Rene Andel of Wheeler & Associates, Inc. ("Wheeler"); Lynnette Tujague of District Data Services, Inc. ("DDS"); Bob Ring and Robert Miller of Inframark Water & Infrastructure Services ("Inframark"); and Greer Pagan and Lelia Pappas of Allen Boone Humphries Robinson LLP ("ABHR").

### WATER CODE TAX PROVISIONS AND 2021 TAX RATE, ADOPT RESOLUTION REGARDING DEVELOPMENT STATUS FOR 2021 TAX YEAR, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

The Board considered the District's 2021 tax rate. Mr. Pagan discussed the "truth-in-taxation" property tax calculations and tax levy process for water districts in Chapter 49, Texas Water Code. He stated that such legislation established three main categories for water districts, based on a district's development status and/or tax rate. Mr. Pagan reviewed the definitions for each of the three categories and said the Board must annually determine the District's category for that tax year and follow the associated notice and levy provisions in the Texas Water Code.

Discussion ensued regarding the District's development status. After fully considering relevant data, information, and statutory definitions, the Board determined that the District is a Developed District for the 2021 tax year.

Ms. Gerdes reviewed a 2021 tax rate recommendation provided by Rathmann, a copy of which is attached. She stated Rathmann recommends the District levy a tax of \$0.12 for debt service and \$0.13 for the Master District contract tax. The Board

discussed the recommendation and the levy of the operation and maintenance tax.

After review and discussion, Director Larvin moved to (1) adopt a Resolution Regarding Development Status for 2021 Tax Year establishing the District as a developed district for the 2021 tax year, pursuant to Section 49.23602, Texas Water Code, and direct that the Resolution be filed appropriately and retained in the District's official records; and (2) authorize the tax assessor to publish notice of the public hearing on October 21, 2021, to consider adoption of a 2021 total tax rate of \$0.345 per \$100 of assessed valuation, consisting of \$0.12 per \$100 assessed valuation to provide for the District's debt service requirements, \$0.13 per \$100 assessed valuation to provide for the District's Master District contract requirements, and \$0.095 per \$100 of assessed valuation to provide for maintenance and operations. Director Och seconded the motion, which passed unanimously.

## APPROVE MINUTES

The Board considered approving the minutes of the August 19, 2021, regular meeting. After review and discussion, Director Fahey moved that the minutes be approved, as revised. The motion was seconded by Director Schroeder and passed unanimously.

## COMMENTS FROM THE PUBLIC AND FUTURE AGENDA ITEMS

There was no discussion on this agenda item.

## ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR END SEPTEMBER 30, 2021

The Board considered authorizing BKD to proceed with preparation of the District's audit report for the fiscal year ending September 30, 2021 and reviewed a letter from BKD with estimated fees ranging from \$14,500 to \$15,500, a copy of which is attached. After discussion, Director Fahey moved to authorize BKD to proceed with preparation of the annual audit. The motion was seconded by Director Och, which passed unanimously.

## DISCUSS SIDEWALK IMPROVEMENTS ON MASON ROAD

There was no discussion on this agenda item.

## GARBAGE AND RECYCLING MATTERS

There was no discussion on this agenda item.

## FINANCIAL AND BOOKKEEPING MATTERS

Ms. Tujague presented and reviewed the bookkeeper's report and payment of the bills, a copy of which is attached.

Ms. Tujague also presented and reviewed the proposed budget for the District's fiscal year ending September 30, 2022, a copy of which is attached to the bookkeeper's report.

After review and discussion, Director Schroeder moved to (1) approve the bookkeeper's report and payment of the bills; and (2) adopt the budget for the fiscal year ending September 30, 2022, as presented. The motion was seconded by Director Fahey and passed unanimously.

## TAX ASSESSMENT AND COLLECTIONS MATTERS

Ms. Anzel presented and reviewed the tax assessor/collector's report and delinquent tax roll with the Board, copies of which are attached.

Ms. Anzel requested the Board authorize Wheeler to move the District's tax account to Allegiance Bank and approve the related agreements, including a Depository Pledge Agreement with Allegiance Bank.

After review and discussion, Director Och moved to (1) approve the tax assessor/collector's report; (2) authorize Wheeler to transfer the District's tax account to Allegiance Bank and approve the related agreements; and (3) approve the Depository Pledge Agreement with Allegiance Bank and direct that the agreement be filed appropriately and retained in the District's official records. The motion was seconded by Director Schroeder and passed unanimously.

The Board took no action on the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions.

## OPERATION OF DISTRICT FACILITIES/TERMINATION OF SERVICE

Mr. Ring presented and reviewed the operator's report, a copy of which is attached. He discussed operation, maintenance, and repairs of District facilities. Mr. Ring stated that the water accountability for the previous month was 94%.

Mr. Ring reported that there were three e. coli violations at the south wastewater treatment plant due to a valve leak. He further noted that the valve is being replaced and line flushes are being completed daily.

Mr. Ring presented a list of delinquent customers and reported the residents on the termination list were delinquent in payment of their water and sewer bills and were given written notification, in accordance with the District's Rate Order, prior to the meeting of the opportunity to appear before the Board of Directors to explain, contest, or correct their bills and to show why utility services should not be terminated for reason of non-payment.

# DRAFT

Mr. Ring reviewed one uncollectable account and requested authorization to send the account to the collection agency.

Discussion ensued regarding the water accountability rate.

After review and discussion, Director Fahey moved to (1) approve the operator's report; (2) authorize termination of delinquent accounts in accordance with the District's Rate Order and direct that the delinquent customer list be filed appropriately and retained in the District's official records; and (3) authorize Inframark to send the one uncollectable account to the collection agency. The motion was seconded by Director Och and passed unanimously.

The Board discussed the failed Mueller water meters and Mr. Ring reported that they are being stored at the Cinco Municipal Utility District No. 1 central water plant due to pending litigation. Discussion ensued.

## ENGINEER'S REPORT, INCLUDING PHASE II MS4 PERMITTING MATTERS

There was no discussion on this agenda item.

## DISTRICT WEBSITE MATTERS

The Board reviewed a website analytics report from Off Cinco, a copy of which is attached.

## NORTH FORT BEND WATER AUTHORITY MATTERS

There was no discussion on this agenda item.

## CINCO MUNICIPAL UTILITY DISTRICT NO. 1 MATTERS

There was no discussion on this agenda item.

## RESOLUTION NOMINATING CANDIDATE FOR BOARD OF DIRECTORS ELECTION FOR HARRIS COUNTY APPRAISAL DISTRICT ("HCAD")

Mr. Pagan explained the procedures for nominating a candidate for a position on the Board of Directors of HCAD. Following discussion, the Board concurred to take no action on this agenda item.

Mr. Miller discussed new legislation requiring government-operated utilities, including water districts, to keep certain customer information confidential unless the customer requests disclosure to third parties.

# DRAFT

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

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS TO MINUTES

	Minutes
	<u>Page</u>
2021 tax rate recommendation .....	1
Letter from BKD .....	2
Bookkeeper’s report.....	2
Tax assessor/collector’s report .....	3
Delinquent tax roll .....	3
Operator’s report.....	3
Website report .....	4