

MINUTES OF REGULAR MEETING
MONTGOMERY COUNTY UTILITY DISTRICT NO. 4
MONTGOMERY COUNTY, TEXAS

24 January 2019

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §

The Board of Directors (the "Board") of Montgomery County Utility District No. 4 (the "District") of Montgomery County, Texas, met in regular session, open to the public, on the 24th day of January, 2019, at the offices of Hays Utility North Corporation, 375 Lake Meadows Drive, Montgomery, Texas 77356, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Gary North	President
Maurice Williams	Vice President
Carl Clay	Secretary-Treasurer
Mike Ganson	Assistant Secretary-Treasurer
Ron Cunningham	Assistant Vice President/Assistant Secretary-Treasurer

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

Also present were John Bleyl, P.E. of Bleyl Engineering ("Bleyl"), the District's Engineer; Philip Wright of Hays Utility North Corporation ("Hays"), the District's Operator; Katherine Turner of Municipal Accounts & Consulting LP ("Municipal"), the District's Bookkeeper; Doris Hickman, President of the Board of Directors of Montgomery County Utility District No. 3 ("MCUD 3"); and Dick Yale and Susan Stebbins, representing Coats Rose, P.C. ("Coats Rose"), the District's Attorney.

Public Comments

Director North called the meeting to order, and he noted that there were no members of the public present who wished to address the Board at this time.

Wastewater Treatment Plant Committee

Director Clay stated that the Wastewater Treatment Plant (the "WWTP") Committee had not met in the month of December 2018. Mr. Wright mentioned that Hays still awaited the approval of the structural engineer concerning the revised plans to modify the hatch on the existing wet well at the WWTP. He added that electrical power usage at the WWTP had recently increased, and he said that Hays was investigating the cause for the increase.

Joint Water Operations Committee

Director North reported that the Joint Water Operations Committee ("JWOC") had not met during the month of January 2019.

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 20 December 2018. Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to approve the minutes of 20 December 2018 as written.

Engineer's Report

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

Rehabilitation of the District's Sanitary Sewer Lines in Lakeview Village. Mr. Bleyl reported that Bleyl had received four bids for the rehabilitation of the District's sanitary sewer lines in Lakeview Village. He recommended that the District award the contract to Texas Pride Utilities, LLC ("Texas Pride"), which submitted the low base bid with extra items for a total of \$263,604.00. A copy of the Recommendation of Award is included in the Engineer's Report. Mr. Bleyl stated that Texas Pride should be able to commence the project about the beginning of March 2019. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to award the contract to Texas Pride, subject to the review of the bonds and insurance by the District's Attorney. Mr. Bleyl stated that he would forward the contracts, bonds, and insurance to Coats Rose for review.

Mr. Yale then presented a RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR CHANGE IN PROJECT SCOPE AND USE OF SURPLUS FUNDS to pay for the rehabilitation project. He noted that the District would be requesting to use \$260,000.00 of the surplus funds from the District's Series 2014 bonds. After further discussion, upon a motion duly made by Director Williams and seconded by Director Cunningham, the Board voted unanimously to approve the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Change in Project Scope and Use of Surplus Funds. A copy of the Resolution thus adopted is attached hereto and made a part of these minutes.

Service/Annexation Requests. Mr. Bleyl discussed the status of service requests to the District. Mr. Wright commented that Kay Eaton had not contacted him since Mr. Wright and Ms. Eaton met to discuss the District's possible annexation of her property. He recalled that Ms. Eaton had told him that she preferred to receive utility services to her residence at 14711 Marina Drive as an out-of-District customer rather than to request that the District annex her property. Mr. Bleyl reminded the Board that Mr. Wright had also provided Ms. Eaton with the District's proposed Encroachment

Agreement for the encroachment of the District's lift station generator on Ms. Eaton's property. Mr. Bleyl recommended that this item be deleted from the agenda for future Board of Directors meetings until such time that Ms. Eaton contacts representatives of the District for further discussion.

Next, the Board discussed the pending annexation of the tract owned by Hytorc of Texas, Inc. ("Hytorc"). Mr. Yale presented the letter dated 9 January 2019 to the City of Conroe (the "City") from Cole Konopka of Coats Rose transmitting the documents for the annexation of the Hytorc tract by the District, a copy of which is attached hereto as an exhibit to these minutes. Mr. Bleyl confirmed that Coats Rose had provided Bleyl with the original transmittal letter and the annexation documents for hand delivery by Bleyl to representatives of the City, and he said that Bleyl had thus delivered the letter and documents. He added that the matter of the annexation would be on the agenda for the 13 and 14 February 2019 City Council meeting.

Cost to Seal the Inner Walls of the District's Sanitary Sewer Manholes. Mr. Bleyl reported that Bleyl had researched the cost to line the inner walls of the District's sanitary sewer manholes. He said that Bleyl estimated that the cost to apply a cured-in-place ("CIP") structural lining to the manholes on the west side of the District would be \$175,000.00. The manholes could be sealed all at one time as a single project or the work could be performed over a period of three years, continued Mr. Bleyl. He added that an inspection must be performed to determine which of the manholes would require repairs prior to the application of the CIP lining. Mr. Wright recommended that the work be performed as a single project because the concrete repairs would be less costly if performed all at the same time. Mr. Bleyl requested the Board's authorization to advertise the project for bids, and he noted that the District could use surplus funds from capital projects to pay for the project. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to authorize Bleyl to advertise the project for bids and to include the funding for this project in the Resolution Authorizing Application to the Texas Commission on Environmental Quality for Change in Project Scope and Use of Surplus Funds approved earlier in this meeting to pay for the cost of the project.

ECO Investments, LLC. Next, Mr. Bleyl discussed the status of the design of the waterline extension and stormwater detention projects on the property owned by ECO Investments, LLC ("ECO Investments"), located within the boundaries of MCUD 3. Mr. Bleyl recalled that the Board of Directors of MCUD 3 had written a letter dated 22 January 2019 to ECO Investments, Bleyl, and the District, a copy of which is included in the Engineer's Report. He noted that MCUD 3's letter requested that the discussions and plans for the waterline extension and drainage projects be submitted for the written approval of MCUD 3's Board of Directors and that contact with MCUD 3 be conducted through Chris Roznovsky, P.E. of Jones & Carter, Inc. ("Jones & Carter"), MCUD 3's engineer. Ms. Hickman mentioned that the Board of Directors of MCUD 3 was uncertain whether there was an easement in place for the construction of the six-inch diameter waterline extension to the ECO Investments property. Mr. Bleyl responded that Bleyl could obtain the necessary easement from the property owner.

After further discussion, upon a motion duly made by Director Ganson and seconded by Director Williams, the Board voted unanimously to accept the Engineer's Report.

Operator's Report

Mr. Wright reviewed the Operator's Report, a copy of which is attached as an exhibit to these minutes. He stated that the District had been pumping approximately 54.15% of the water supplied to the District and to MCUD 3. He noted that the District's billed water consumption for the period of 27 November 2018 through 28 December 2018 was 8,408,000 gallons. Mr. Wright added that the total pumpage for both districts was 14,734,000 gallons and that the total water accountability for both districts was 94.24% (ratio of billed to pumped water).

Mr. Wright reported that the WWTP had treated 24,501,000 gallons of wastewater during the month of December 2018. He added that the WWTP's effluent quality had been in compliance with the Permit to Dispose of Wastes (the "Permit") issued by the Texas Commission on Environmental Quality. He mentioned that the WWTP had operated at slightly more than 75% of its capacity in the month of December 2018.

Hays mailed 170 cutoff notices to delinquent customers in the District during the reporting period, stated Mr. Wright. He said that Hays had terminated service to two customers, and he added that the customers had then paid the amounts past due for water and sewer service and had service restored.

Mr. Wright noted that two customers of the District had reported water quality issues to Hays in the month of January 2019. He commented that Hays had received water quality complaints from customers of MCUD 3, and he said that it was not uncommon for water quality complaints to increase during periods of low water usage.

Then Mr. Wright briefly discussed certain repairs performed by Hays in the month of January 2019. He noted that Hays had repaired a water leak at the meter at one residence and repaired a leak in the service line at the meter at another residence. Mr. Wright continued that Hays had repaired the District's six-inch diameter sanitary sewer main that appeared to have caused a sewer stoppage at 119 Lakeside Drive.

Mr. Wright then presented the revised Five-Year Plan with the Board, a copy of which is attached as an exhibit to these minutes. He noted the addition of an item for a security system, and he explained that golf carts had been stolen recently from certain residences around the perimeter of the District's Water Well No. 2 ("WW No. 2"). He recommended that the District install security cameras at Water Well No. 1 and WW No. 2 so that Hays could monitor the District's facilities for potential vandalism. Director Williams requested that Hays obtain pricing for the installation of security cameras. Mr. Wright also pointed out that he had added items for the year 2019 to the Five-Year Plan for the construction of a driveway at the April Villas lift station and for the inspection of the District's storm sewer outfalls.

After further discussion, upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to accept the Operator's Report as presented and to authorize Hays to terminate any customer accounts that remained unpaid by the deadline.

Bookkeeper's Report

Ms. Turner discussed the performance of certain of the District's certificates of deposit from various banks and TexPool that had been rolled over into money market funds in the Texas Cooperative Liquid Assets Securities System ("Texas CLASS"). She stated that the investments rolled over to Texas CLASS had already experienced superior results because of the higher average rates of interest paid by Texas CLASS.

Ms. Turner then presented the Bookkeeper's Report, and she requested approval for payment of the District's bills. She reviewed the District's account balances, the District's balance sheet, and the actual versus budget comparison for the month of December 2018. She also reviewed the Construction Fund breakdown of interest and account maintenance fees from the District's Series 2011 Bonds and Series 2014 Bonds. Ms. Turner stated that the Texas Cooperative Liquid Assets Securities System had paid an average interest rate of 2.49% on the District's accounts in December 2018. After further review, upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the District's bills. A copy of the Bookkeeper's Report is attached hereto as an exhibit to these minutes.

Tax Assessor/Collector's Report

Ms. Turner presented the Tax Assessor/Collector's Report, prepared by Tammy McRae, Tax Assessor/Collector for Montgomery County, Texas, for the month of December 2018. Ms. Turner noted that the District had collected 52.20% of its 2018 tax levy as of the end of the reporting period. After further review, upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to accept the Tax Assessor/Collector's Report. A copy of the Tax Assessor/Collector's Report is attached hereto as an exhibit to these minutes.

Website Traffic Report

Director Williams briefly discussed the report on the traffic on the District's website for the month of December 2018. A copy of the report is attached hereto and made a part of these minutes.

Public Information Request

Mr. Yale presented an electronic mail message dated 27 December 2018 to Andrea Farenthold, a resident of the District, from Ms. Stebbins, a copy of which is attached hereto and made a part of these minutes. Ms. Stebbins noted that the message had transmitted the District's Statement of Charges for the District to respond

to Ms. Farenthold's request for documents concerning payments made by the April Sound Property Owners Association to the District from the year 2007 to the present. She added that Ms. Farenthold had not responded to the message.

Insurance Renewal

Ms. Stebbins recalled that at the 20 December 2018 Board of Directors meeting, the Board had requested that she contact Arthur J. Gallagher & Co. ("Gallagher"), the District's insurance broker, to request the proposal for the renewal of the District's insurance. She stated that she had requested the proposal, but she said that she had not yet received Gallagher's quote for the renewal of the current insurance policies that would expire on 31 March 2019. Mr. Yale commented that the cost of the current year's insurance would likely increase by 5 to 10%.

Special Solid Waste Collection for Christmas Trees

Director North reported that Bailey Brothers Garbage ("Bailey Brothers") had collected Christmas trees from residents of the April Sound Subdivision on 5 January 2019. He added that the District and MCUD 3 owed Bailey Brothers a total of \$1,000.00 for the one-time collection, and he requested that Mr. Wright ask Bailey Brothers to generate an invoice to the District in the amount of \$500.00.

Ms. Hickman departed the meeting at this time.

Attorney's Report

Eminent Domain Reporting. Ms. Stebbins then presented confirmation of the filing of an Eminent Domain Report pursuant to Senate Bill 1812 (84th Texas Legislature Regular Session 2015). Mr. Yale recalled that a report was required to be submitted online to the Texas Comptroller of Public Accounts by 1 February of each year. He explained that even if the District had not exercised its eminent domain authority, a report was required to be filed each year. A copy of the Eminent Domain Report Confirmation is attached hereto as an exhibit to these minutes.

Special Purpose District Report. Mr. Yale reported that on 12 January 2019, the District's Attorney had filed the Special Purpose District Report (the "SPD Report") with the Texas Comptroller of Public Accounts pursuant to Senate Bill 625 as approved by the 85th Texas Legislature-Regular Session-2017. He reviewed with the Board the SPD Report Confirmation and Summary, copies of which are attached hereto as exhibits to these minutes.

Then Mr. Yale mentioned that Tracy Boulware, Manager of ECO Investments, had not yet signed and returned the replacement execution page for the letter agreement between the District and ECO Investments for the construction of certain drainage facilities. He recalled that Ms. Boulware had executed certain easements to the District and that Coats Rose had recorded the easements in the Real Property Records of Montgomery County. He added that Coats Rose would provide copies of

the letter agreement to MCUD 3 upon receipt of Ms. Boulware's signature on the replacement execution page. Mr. Bleyl said that he would write to Mr. Roznovsky in response to MCUD 3's 22 January 2019 letter to summarize the communications that had occurred between Bleyl and Jones & Carter throughout the planning and design for the water and drainage projects for those certain tracts described in MCUD 3's letter.

Lone Star Groundwater Conservation District. Ms. Stebbins distributed a memorandum regarding the 8 January 2018 meeting of the Board of Directors of the Lone Star Groundwater Conservation District ("Lone Star"). A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Bleyl stated that the Board of Directors of Lone Star proposed to settle the pending litigation between the City of Conroe and Lone Star concerning Lone Star's rules for large volume groundwater users. He added that Lone Star was expected to revise the rules following the settlement.

Mr. Bleyl reported that Bleyl had scanned the archived records of Municipal relating to the cost-sharing agreements between MCUD 3 and the District. He said that he had forwarded the scanned records to Director North, Ms. Turner, and Coats Rose.

Executive Session

Then the Board entered into an executive session at 11:19 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 12:35 p.m. No action was taken on the matters discussed during the executive session.

There being no further business to come before the Board, upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to adjourn.

(SEAL)



Secretary, Board of Directors

Montgomery County Utility District No. 4
Regular Meeting of 24 January 2019
Attachments

1. Engineer's Report
2. Resolution Authorizing Application to the Texas Commission On Environmental Quality for Change in Project Scope and Use of Surplus Funds
3. Letter from Coats Rose to the City of Conroe to transmit Annexation Documents
4. Operator's Report
5. Five-Year Plan
6. Bookkeeper's Report
7. Tax Assessor/Collector's Report
8. Website Traffic Report
9. Electronic Mail Message to Andrea Farenthold from Coats Rose concerning Open Records request
10. Eminent Domain Report Confirmation
11. Special Purpose District Report Confirmation and Summary
12. Memorandum from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District