

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

28 February 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 28th day of February, 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, with the exception of Director Cunningham, 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, Cole Konopka, 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 he had nothing new to report to the Board since the last meeting of the Wastewater Treatment Plant (the "WWTP") Committee. Mr. Wright commented that Chris Roznovsky of Jones & Carter, Inc. ("Jones & Carter"), the engineer for MCUD 3, would prepare correspondence to the Texas Commission on Environmental Quality (the "Commission") concerning the plans for expansion of the WWTP, which had operated in excess of 75% of the WWTP's capacity for three consecutive months.

Joint Water Operations Committee

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

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 21 January 2019. Upon a motion duly made by Director Ganson and seconded by Director Williams, the Board voted unanimously to approve the minutes of 21 January 2019 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 the contracts for the rehabilitation of the District's sanitary sewer lines in Lakeview Village had been delivered by Texas Pride Utilities, LLC ("Texas Pride"), the contractor for the project. He told the Board that the bonds and insurance on the contracts for the project were forwarded to the District's Attorney for review prior to today's meeting. Ms. Stebbins then distributed a memorandum from Coats Rose regarding the bonds and insurance. She stated that the bonds and insurance appeared to meet the minimum requirements. A copy of the memorandum is attached to these minutes as an exhibit. After further discussion, upon a motion duly made by Director Clay and seconded by Director Ganson, the Board voted unanimously to execute the contracts with Texas Pride. Mr. Bleyl said that construction would commence on 18 March 2019.

Mr. Bleyl reminded the Board that Bleyl would advertise for bids to seal the inner walls of the District's sanitary sewer manholes pursuant to previous approval at the 21 January 2019 Board of Directors meeting. He added that the specifications for the project were in progress and that he would present the bids at the 25 April 2019 Board of Directors meeting. Mr. Bleyl noted that Bleyl had submitted the District's request to use surplus funds for the Lakeview Village sanitary sewer lines rehabilitation and manhole sealing projects to the Commission. A copy of Bleyl's submittal to the Commission is included in the Engineer's Report.

Service/Annexation Requests. Mr. Bleyl informed the Board that the City of Conroe (the "City") had approved the District's Petition for Consent to Annex Land for the tract owned by Hytorc of Texas, Inc. ("Hytorc") at the 14 February 2019 meeting of the City Council. Mr. Wright said that he would coordinate with Bleyl concerning the location of the fire line tap and sanitary sewer connection for the small building on the Hytorc property.

ECO Investments, LLC. Next, Mr. Bleyl reported that Tracy Boulware of ECO Investments, LLC ("ECO Investments") appeared to have forfeited the ownership of the property formerly known as the Pope tract to the previous owner. Ms. Boulware's attorney had not responded to telephone messages, said Mr. Bleyl, and he added that he had informed Mr. Roznovsky that Bleyl had ceased work on the plans for the waterline extension and stormwater detention projects on the property. Mr. Yale reminded the Board that the drainage and detention and utility easements previously executed by ECO Investments in favor of the District had been recorded in the real property records of Montgomery County. Mr. Konopka recommended that the Board authorize Coats Rose to request a limited title search to determine the current ownership of the Pope tract. Upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to authorize Coats Rose to order a limited title search on the subject property and to accept the Engineer's Report.

Bookkeeper's Report and Tax Assessor/Collector's Report

Ms. Turner then presented the Bookkeeper's Report and the Quarterly Investment Report, copies of which are attached hereto as exhibits to these minutes. 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 January 2019. 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 2.61% on the District's accounts in January 2019. She called attention to the reclassification of the amounts of certain outstanding checks issued by the District as unclaimed property that would eventually be escheated to the State.

Ms. Turner presented the Tax Assessor/Collector's Report, prepared by Tammy McRae, Tax Assessor/Collector for Montgomery County, Texas, for the month of January 2019. Ms. Turner noted that the District had collected 85.04% of its 2018 tax levy as of the end of the reporting period. A copy of the Tax Assessor/Collector's Report is attached hereto as an exhibit to these minutes.

After further review, upon a motion duly made by Director Ganson and seconded by Director Williams, the Board voted unanimously to accept the Bookkeeper's Report, the Quarterly Investment Report, and the Tax Assessor/Collector's Report, and to authorize payment of the District's bills.

Next, the Board reviewed a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been approved by the District for the year 2018, which was an exemption of \$20,000 for persons who are disabled or who are sixty-five years of age or older and no general homestead exemption. Upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to adopt the Resolution Concerning Exemption of Residence

Homesteads from Taxation with the same exemptions as in 2018, a copy of which is attached hereto and shall be considered a part of these minutes.

Then Mr. Yale reminded the Board that the District must have an agreement with an attorney for the collection of delinquent taxes in place before the District can impose the 20% collection charge on certain delinquent taxes, penalties, and interest. He noted that the District's agreement for the collection of delinquent taxes with Linebarger Goggan Blair & Sampson, LLP (subcontracted through the Montgomery County Tax Assessor/Collector's Office) remained in effect. After discussion, upon a motion duly made by Director Ganson and seconded by Director Williams, the Board voted unanimously to assess a 20% collection charge on all 2018 personal property taxes, penalties, and interest delinquent on 1 April 2019, pursuant to Section 33.11 of the Tax Code, and on all 2018 real property taxes, penalties, and interest delinquent on 1 July 2019, pursuant to Sections 33.07 and 33.08 of the Tax Code. A CERTIFICATE OF BOARD ACTION related to this matter is attached to these minutes as an exhibit.

Operator's Report

Next, Mr. Wright reviewed the Operator's Report, a copy of which is attached hereto as an exhibit. He reported that the District had been pumping approximately 53.92% of the water supplied to the District and to MCUD 3. He noted that the District's billed water consumption for the period of 28 December 2018 through 28 January 2019 was 7,386,000 gallons. Mr. Wright added that the total pumpage for both districts was 13,829,000 gallons and that the total water accountability for both districts was 91.6% (ratio of billed to pumped water). He speculated that the decrease in the water accountability from the previous reporting period had been caused in part by additional flushing in connection with Hays' work on valves in MCUD 3 and water lost due to a failure of a four-inch diameter water main at 167 Parkway Lane.

Mr. Wright reported that the WWTP had treated 25,872,000 gallons of wastewater during the month of January 2019. 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 added. In response to a question from the Board, Mr. Wright said that sludge had been hauled from the WWTP three times in the year 2018.

Mr. Wright briefly reviewed a short list of customer accounts that were delinquent in the payment for water and sewer services, as included in the Operator's Report. He noted that all of the accounts that had been terminated had service restored following payment of the amounts past due.

Then Mr. Wright discussed certain repairs performed by Hays in the month of January 2019. He noted that Hays had repaired the above-mentioned water main, repaired two water service lines and a leak at a meter, and repaired a storm sewer drain and the resulting sinkhole that had developed at 154 Dawns Edge Drive. He added that Hays had completed the installation of a new fence around the perimeter of the Key Harbor lift station.

Mr. Wright reviewed the District's Five-Year Plan in detail with the Board. A copy of the Five-Year Plan is included in the Operator's Report. He said that he would review the costs of inflow and infiltration, the cleaning and televising of the District's sanitary sewer system, and the sealing of older brick-lined sanitary sewer manholes with the District's Engineer and adjust the Five-Year Plan accordingly. 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.

Then Mr. Wright mentioned that Scott Cheloutz of Hytorc had contacted Hays to inquire when Hays would begin the installation of water and sanitary sewer facilities at the property owned by Hytorc. Mr. Bleyl reminded the Board that the District could proceed with the installation of the requested service after the District adopted the redefined boundaries of the District and submitted certain documentation of the annexation to the Commission.

Concerning the billing from MCUD 3 to the District according to the provisions of the cost-sharing agreements between the districts, Ms. Turner commented that she continued to review MCUD 3's invoices. She added that she and Director Cunningham had not yet met with representatives of the Board of Directors of MCUD 3 and MCUD 3's bookkeeper to discuss the invoices.

Website Traffic Report

Director Williams reviewed the report on the traffic on the District's website for the month of January 2019. A copy of the report is attached hereto and made a part of these minutes. Director Williams pointed out that the report indicated numerous "hits" on the District's website that originated from foreign countries, and he asked whether the website was protected from hacking attacks. Mr. Wright stated that the District's website is not connected to any systems or devices that monitor or control the District's facilities. He said that it was possible for persons who accessed Hays's website to access certain customer account information, but he added that Hays backs up its website data every day. He assured the Board that the controls to the District's facilities were not connected to the Internet and were physically operated at the facilities. Mr. Bleyl commented that Bleyl backs up its servers daily to a remote location.

Insurance Renewal

The Board then discussed the renewal of the District's insurance. Ms. Stebbins presented the proposal for the renewal of the District's insurance as prepared by Arthur J. Gallagher & Co. ("Gallagher"), the District's insurance broker. Ms. Stebbins noted that the premium for the renewal of the District's insurance is approximately \$250.00 less than the premium of the policies expiring on 31 March 2019. She called attention to the optional Cyber Security Liability coverage for a one-year premium of \$1,139.00 with a limit of \$1,000,000 per claim. Mr. Bleyl said that Bleyl could complete the application for Cyber Security Liability for the District. The Board deferred action on the renewal of the insurance to the 28 March 2019 Board of Directors meeting.

Ms. Hickman departed the meeting at this time.

Lone Star Groundwater Conservation District

Ms. Stebbins stated that the memorandum regarding the 12 February 2019 meeting of the board of directors of the Lone Star Groundwater Conservation District ("Lone Star") was still being prepared. She said that she would distribute the memorandum to the Board by electronic mail message. A copy of the memorandum provided to the Board is attached as an exhibit to these minutes. Mr. Bleyl stated that Lone Star had sent correspondence to all large-volume groundwater users explaining that Lone Star would roll back the requirement to reduce groundwater consumption by 30%. Mr. Bleyl recommended that the Board take no action concerning the Groundwater Reduction Plan between the District and MCUD 3 until Lone Star establishes new well spacing rules.

Mr. Wright departed the meeting at this time.

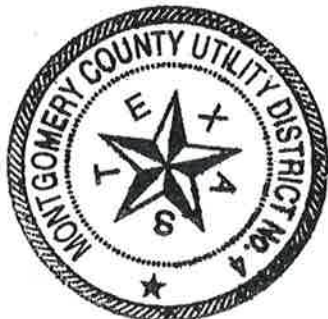
Executive Session

Then the Board entered into an executive session at 11:17 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 12:17 p.m. No action was taken on the matters discussed during the executive session.

After further discussion, upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to authorize Director Clay to contact Ms. Hickman to discuss MCUD 3's billing of certain shared-cost items to the District.

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 28 February 2019
Attachments

1. Engineer's Report
2. Memorandum from Coats Rose, P.C. regarding the bonds and insurance for Texas Pride Utilities, LLC
3. Bookkeeper's Report
4. Quarterly Investment Report
5. Tax Assessor/Collector's Report
6. Resolution Concerning Exemption of Residence Homesteads from Taxation
7. Certificate of Board Action regarding 20% Penalty on Delinquent Taxes
8. Operator's Report
9. Website Traffic Report
10. Memorandum from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District