

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

28 March 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 March, 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"); Scott Chelootz, President of Hytorc of Texas, Inc. ("Hytorc"); 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 was one member of the public present who wished to address the Board. Mr. Chelootz introduced himself and reminded the Board that a 4.8336-acre tract of land owned by Hytorc was in the final stage of being annexed to the District. He said that he was in attendance to request that the Board adjust the fees charged to Hytorc for water and sanitary sewer taps and the installation of certain other facilities necessary to provide water and sanitary sewer services to the property, which Hays had calculated to be approximately \$100,000.00. Mr. Wright mentioned that the Hays would install the six-inch diameter fire line and meter for the fire hydrant and that Mr. Chelootz would then hire a private plumber to complete the installation of the fire hydrant. Director North stated that the Board would discuss Mr. Chelootz's request for an adjustment to

the tap fees and that Mr. Wright would contact Mr. Chelootz to discuss the Board's decision. Mr. Chelootz departed from the meeting at this time.

Wastewater Treatment Plant Committee

Director Clay stated that Hays would soon modify the hatch on the existing wet well at the Wastewater Treatment Plant (the "WWTP"). Mr. Wright said that Hays had performed minor repairs on the blower at the WWTP.

Joint Water Operations Committee

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

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 28 February 2019. Upon a motion duly made by Director Ganson and seconded by Director Cunningham, the Board voted unanimously to approve the minutes of 28 February 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 Texas Pride Utilities, LLC ("Texas Pride"), the contractor for the rehabilitation project, had commenced construction activities on 25 March 2019. He reminded the Board that the project was to be completed in 120 days according to the terms of the contract between the District and Texas Pride.

Sealing of the District's Sanitary Sewer Manholes. Mr. Bleyl stated that Bleyl had completed 90% of the plans and specifications for the project to seal the inner walls of the District's sanitary sewer manholes. Bids for the project will be presented at the 25 April 2019 Board of Directors meeting, he added.

Bleyl had submitted the District's application to use surplus funds for the Lakeview Village sanitary sewer lines rehabilitation and manhole sealing projects to the Texas Commission on Environmental Quality (the "Commission"), continued Mr. Bleyl. He noted that the Commission had declared the application administratively complete by correspondence to the District dated 1 March 2019, a copy of which is included in the Engineer's Report.

Service/Annexation Requests. Mr. Bleyl recalled that the City of Conroe (the "City") had approved the District's Petition for Consent to Annex Land for the tract owned by Hytorc at the 14 February 2019 meeting of the City Council. A copy of the

City's Resolution Consenting to the Addition of Territory within the Boundaries of the District is included in the Engineer's Report. A discussion ensued concerning Mr. Chelootz's request for an adjustment on the fees for the District to provide a water tap, a sanitary sewer tap, and a six-inch diameter fire line tap at three times the rate charged to in-District customers in accordance with the provisions of the District's Consolidated Rate Order. Mr. Wright explained that the cost to the District to bore under a cul-de-sac on the Hytorc property to be able to install a new sanitary sewer manhole was \$10,000.00. He reminded the Board that Hays would extend the District's sanitary sewer line, install a sanitary sewer manhole, and add a riser for Hytorc's private plumber to make a connection to the District's sanitary sewer line. He proposed that the District charge three times the District's cost for the installation of the vault for the manhole and that the remainder of the work for the Hytorc property be invoiced to Hytorc at the District's cost. Mr. Yale reminded the Board that the District would not collect substantial water revenue from the property. After further discussion, upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to authorize Hays to bill Hytorc for the installation of water and sanitary sewer facilities at the subject property as proposed by Mr. Wright.

ECO Investments, LLC. Next, Mr. Bleyl reported that ownership of the property formerly known as the Pope tract, located in MCUD 3, had reverted from ECO Investments, LLC to James Pope. He said that the completed surveying and engineering plans for stormwater detention projects on the property had been suspended. Upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to accept the Engineer's Report.

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 54.27% 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 January 2018 through 26 February 2019 was 7,139,000 gallons. Mr. Wright added that the total pumpage for both districts was 12,778,000 gallons and that the total water accountability for both districts was 94.88% (ratio of billed to pumped water).

Mr. Wright reported that the WWTP had treated 19,834,000 gallons of wastewater during the month of February 2019. He noted 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 City had contacted Hays to discuss the City's plan to install a flume to measure the volume of the City's flow to the WWTP when the City ties in to the facilities jointly owned by MCUD 3 and the District.

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 services had been terminated for three customers who had not paid their

invoices before the deadline date, and that services were later restored after the customers had paid the amounts past due.

Hays received one water quality complaint from a resident of the district in March 2019, reported Mr. Wright. He added that Hays had flushed the fire hydrant nearest to the complainant's residence at 85 Park Circle until the water ran clear.

Mr. Wright stated that he had not made any changes to the District's Five-Year Plan. He continued that he would soon contact Mr. Bleyl to discuss certain adjustments to the plan to be submitted for the Board's review.

Then Mr. Wright presented a write-off list of delinquent accounts of customers who had moved from the District. He explained that the customers' deposits had been applied against the balances owed on their accounts, and he noted that the accounts would be written off the books and records of the District and turned over to a collection agency. A copy of the write-off list is included in the Operator's Report. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to accept the Operator's Report, to authorize Hays to terminate any customer accounts that remained unpaid by the deadline, and to write off the delinquent accounts on the write-off request list and send them to a collections agency.

Director North mentioned that Bailey Brothers Garbage ("Bailey Brothers") had left a notice on a king-size mattress that had been placed at the curb of a residence in the District for heavy trash pickup. He commented that Bailey Brothers had correctly notified the resident that the mattress exceeded the size limit for the monthly heavy trash pickup in the District.

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

Ms. Turner then presented the Bookkeeper's Report, a copy of which is attached hereto as an exhibit to these minutes. She reviewed the District's account balances, the District's balance sheet, and the actual versus budget comparison for the months of January and February 2019. She requested approval for payment of the District's bills. Ms. Turner 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 noted that the Texas Cooperative Liquid Assets Securities System had paid an average interest rate of 2.62% on the District's accounts in February 2019. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the District's bills.

Ms. Turner presented the Tax Assessor/Collector's Report, prepared by Tammy McRae, Tax Assessor/Collector for Montgomery County, Texas, for the month of February 2019, a copy of which is attached hereto as an exhibit to these minutes. Ms. Turner noted that the District had collected 92.89% of its 2018 tax levy as of the end of the reporting period. 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.

Director North stated that Ms. Hickman had reviewed in detail MCUD 3's invoices to the District for the costs of certain expenses for the maintenance and operation of joint water and wastewater facilities. He said that representatives of the Board of Directors of MCUD 3, MCUD 3's bookkeeper, representatives of Hays, Directors Clay and Cunningham, and Ms. Turner had met to discuss the backup documentation for the invoices. Director Cunningham said that Mr. Wright would review Hays's work orders to calculate the appropriate share of costs to be paid by each district. Ms. Hickman mentioned the letter from MCUD 3 to the District dated 27 March 2019 (the "Letter") concerning shared costs, a copy of which is attached as an exhibit to these minutes. She explained that the Letter had attached a proposed amendment to the 22 March 2012 Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities between the districts based on her review of the costs for chlorination that should be shared equally by the districts except for chlorination costs for MCUD 3's Jasper Aquifer water well. Ms. Turner mentioned that there appeared to be discrepancies between the first and second versions of MCUD 3's list of invoices for shared costs to the District. Ms. Hickman said that she continued to review the billing details, and she added that the list of invoices and the dollar amounts within would be revised further. In response to a question from Director North, Ms. Hickman replied that in lieu of the 11 April 2019 JWOC meeting, the persons who participated in the meeting discussed above in this paragraph would meet again for further discussion of the shared costs invoiced to the District.

Continuing the discussion of MCUD 3's Letter to the District, Ms. Hickman stated that MCUD 3 had recently increased the water and wastewater rates charged to all customers of MCUD 3. Ms. Hickman departed the meeting at this time.

Resolution Evidencing Review of the District's Investment Policies and investment Strategies

Ms. Turner requested that the Board defer the review of the Resolution Evidencing Review of the District's Investment Policies and investment Strategies to the 25 April 2019 Board of Directors meeting. She stated that she continued to verify the status of the District's agreements with certain banking institutions. The Board concurred.

Continuing Disclosure

Mr. Yale informed the Board that the District was required to fulfill the continuing disclosure requirements of the Securities and Exchange Commission (the "SEC") pursuant to SEC Rule 15c2-12 as well as the District's Bond Resolutions. He stated that the District's Attorney would take the actions necessary to fulfill the District's continuing disclosure requirements prior to the deadline of 30 June 2019, once the Annual Financial Report has been finalized by the District's Auditor, McCall Gibson Swedlund Barfoot PLLC. Upon a motion duly made by Director Cunningham and

seconded by Director Williams, the Board voted unanimously to authorize the District's Attorney to prepare and submit the necessary continuing disclosure information to all agencies as required.

Order Adding Land and Redefining Boundaries of the District and Amendment to District Information Form

Next, Mr. Yale stated that with the City's Resolution Consenting to the Addition of Territory within the Boundaries of 4.834 acres of land into the District, all of the requirements for annexing the 4.834-acre tract to the District had been fulfilled. He outlined the provisions of the ORDER ADDING LAND AND REDEFINING BOUNDARIES OF THE DISTRICT (the "Order") and noted that with the adoption of the Order the land would be included within the boundaries of the District. Upon a motion duly made by Director Ganson and seconded by Director Cunningham, the Board voted unanimously to adopt the Order Adding Land and Redefining Boundaries of the District. Ms. Stebbins noted that the Order would be filed with the Commission as required. A copy of the Order is attached to and shall be considered to be part of these minutes.

Next, Ms. Stebbins called the Board's attention to the Amendment to the District's Information Form (the "Amendment"). She explained that the District was required under Sections 49.452 and 49.455 of the Water Code to file an amendment whenever any information in the Information Form was changed. She noted that the Amendment documented the change in the boundaries of the District. Mr. Yale added that the Amendment included the Notice to Purchaser form that was required whenever property was sold in a municipal utility district. Ms. Stebbins said that the Order and the Amendment would be filed with the Commission and in the Real Property Records of Montgomery County. After review, upon a motion duly made by Director Ganson and seconded by Director Cunningham, the Board voted unanimously to approve the Amendment to the District's Information Form and to authorize filing of the Order and the Amendment as required. A copy of the Amendment thus approved is attached to and shall be considered to be part of these minutes.

Website Traffic Report

Director Williams reviewed the report on the traffic on the District's website for the month of February 2019. A copy of the report is attached hereto and made a part of these minutes.

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. After discussion, upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to approve the insurance renewal proposal from Gallagher as presented, with the exception of the Cyber Security Liability option. A copy of the executed insurance proposal is attached hereto and made a part of these minutes.

Lone Star Groundwater Conservation District

Mr. Yale presented a memorandum regarding the 12 March 2019 meeting of the board of directors of the Lone Star Groundwater Conservation District ("Lone Star"). A copy of the memorandum provided to the Board is attached as an exhibit to these minutes. Mr. Yale noted that Lone Star's General Manager had resigned and that Lone Star had appointed an Interim General Manager. Mr. Bleyl recommended that the Board take no action at this time concerning the Groundwater Reduction Plan between the District and MCUD 3.

Arbitrage Rebate and Compliance Service Program Report

Mr. Yale then presented an Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Report for the District's Series 2011 and 2014 Bonds (the "Arbitrage Rebate Report") from Arbitrage Compliance Specialists, Inc. The Board briefly reviewed the Arbitrage Rebate Report, a copy of which is attached to and shall be considered to be part of these minutes. Mr. Yale noted that the District would not be required to remit any funds to the Internal Revenue Service for the Series 2014 Bonds.

Mr. Wright departed the meeting at this time.

Executive Session

Then the Board entered into an executive session at 11:43 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 12:00 p.m. No action was taken on the matters discussed during the executive session.

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

(SEAL)



Secretary, Board of Directors