

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

25 April 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 25th day of April, 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; Carolyn Smith, Treasurer of the Board of Directors of Montgomery County Utility District No. 3 ("MCUD 3"); Brian Toldan of McCall Gibson Sweedlund Barfoot PLLC ("McCall Gibson"), the District's Auditor; Kim Courte of Arthur J. Gallagher & Co. ("Gallagher"); 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.

District's Insurance

Ms. Courte then discussed certain enhancements included in Gallagher's renewal of the District's insurance coverage for the period of 31 March 2019 through 31 March 2020, as approved by the Directors at the 28 March 2019 Board of Directors meeting. She distributed the 2019 Insurance Renewal Summary, a copy of which is attached to and shall be considered to be a part of these minutes. Ms. Courte noted that the total renewal premium was \$257.00 less than the total premium paid by the District for the policies of the immediate past insurance term. She pointed out that the

District's property insurance coverage included a higher limit for certain extra expenses that were not considered to be property and that the cost of the renewal premium for the District's boiler and machinery insurance coverage was \$2,156.00 less than the premium paid for the boiler and machinery coverage in the immediate past insurance term.

At this time, Ms. Courte departed from the meeting.

Annual Financial Report for the Fiscal Year Ended 31 December 2018

Mr. Toldan then submitted the draft of the Annual Financial Report for the District for the fiscal year ended 31 December 2018. He called the Board's attention to the Management's Discussion and Analysis which constituted the Board's comments about the Annual Financial Report. Mr. Toldan recommended that the Directors review the Management's Discussion and Analysis in detail.

Then Mr. Toldan reviewed the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. He called attention to the adjustments made in the accounting for the funds of the District to develop a Statement of Activities similar to a full accrual accounting for a business. Mr. Toldan reviewed the supporting data in the Annual Financial Report, including information required by the Texas Commission on Environmental Quality (the "Commission"). He noted that there were no qualifications against the opinion of McCall Gibson, and he commented that no problems were detected during the audit process. He added that he awaited data from the auditor for MCUD 3 regarding the shared assets and liabilities of the District and MCUD 3 in order to complete Note 8. Director Cunningham stated that he had reviewed the Notes in the draft Annual Financial Report, and he identified a minor correction to be made.

Mr. Toldan then asked the Board to approve the Annual Financial Report subject to a ten-day review period. After consideration, upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to: (1) approve the Annual Financial Report, subject to a ten-day review period; (2) authorize signature of the Letter of Representations; (3) authorize McCall Gibson to file the Annual Financial Report with the Commission; and (4) authorize the District's Attorney to file the Annual Financial Report in the District's office and with any other governmental agencies, companies, or entities as required. A copy of the Letter of Representations is attached as an exhibit to these minutes. The draft Annual Financial Report and the final Annual Financial Report will be filed in the permanent records of the District.

Wastewater Treatment Plant Committee

Director Clay stated that he had nothing new to report regarding the Wastewater Treatment Plant (the "WWTP") Committee. Mr. Wright said that the structural engineer was reviewing the modifications to the hatch on the existing wet well at the WWTP with Chris Roznovsky of Jones & Carter, Inc., MCUD 3's engineer.

Joint Water Operations Committee

Director North reported that the Joint Water Operations Committee ("JWOC") had not met during the month of April 2019. He added that Doris Hickman and Janis Boulware, the President and Secretary, respectively, of the Board of Directors of MCUD 3; Steve Haskins of Protocol Bookkeeping Inc., the bookkeeper for MCUD 3; Directors Clay and Cunningham; and Ms. Turner had met to discuss certain of MCUD 3's invoices to the District for shared expenses for the jointly owned water facilities.

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 28 March 2019. Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to approve the minutes of 28 March 2019 subject to a correction on page 1 concerning the attendees.

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, was progressing slowly with the construction activities. He stated that Bleyl had advised Texas Pride to increase productivity on the project.

Sealing of the District's Sanitary Sewer Manholes. Mr. Bleyl stated that Bleyl had received two bids for phase 1 of the project to seal the inner walls of District's sanitary sewer manholes, and he recommended that the District award the contract to T. Gray Utility and Rehab Co., LLC ("T. Gray"), which had submitted a base bid with extra items for \$219,400.00. A copy of the Recommendation of Award is included in the Engineer's Report. Mr. Bleyl predicted that the extra items would probably be unnecessary. Upon a motion duly made by Director Williams and seconded by Director Cunningham, the Board voted unanimously to award the contract to T. Gray. Mr. Bleyl stated that he would forward the contracts, bonds, and insurance to Mr. Yale for review.

Mr. Bleyl mentioned that the Commission was conducting the technical review of the District's application to use surplus funds for the Lakeview Village sanitary sewer lines rehabilitation and the manhole sealing projects. He anticipated that the Commission would approve the application by May or June 2019.

ECO Investments, LLC / Pope Tract. Mr. Bleyl reminded the Board that ownership of the property formerly known as the Pope tract, located in MCUD 3, had reverted from ECO Investments, LLC ("ECO") to James Pope. He said that the completed surveying and engineering plans for stormwater detention projects on the property had been suspended. Mr. Yale added that Tracy Boulware of ECO had

executed an easement to the District across the property, but he said that the easement had not been executed by all of the property owners. He continued that if the property was sold, the District could request that the new owners and any lienholders sign the easement to the District. Upon a motion duly made by Director Williams and seconded by Director Ganson, 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 57.59% of the water supplied to the District and to MCUD 3. He noted that the District's billed water consumption for the period of 26 February 2019 through 27 March 2019 was 9,421,000 gallons. Mr. Wright added that the total pumpage for both districts was 16,430,000 gallons and that the total water accountability for both districts was 94.76% (ratio of billed to pumped water).

Mr. Wright reported that the WWTP had treated 20,828,000 gallons of wastewater during the month of March 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 Commission.

Mr. Wright briefly reviewed a 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 three of the four accounts that had been terminated had paid the amounts past due and had service restored.

Hays had repaired leaks in the one-inch diameter service lines at 123 Lakeside Drive and at 102 Cove Place in April 2019, reported Mr. Wright. He added that Hays had become aware of a seeping leak in the ground storage tank (the "GST") at the District's Water Plant No. 1 ("WP No. 1"). He continued that a subcontractor would soon vacuum test the bottom of the GST and check the condition of the gasket at the bottom of the tank. Mr. Wright speculated that the leak had begun about 5 April 2019.

Mr. Wright stated that he had revised the District's Five-Year Plan, a copy of which is attached as an exhibit to these minutes. He said that he had decreased the funds budgeted for "pigging" the District's water lines and increased the budgeted amount for repairs to the District's sanitary sewer main repairs along State Highway 105 in the year 2019. He noted that he had also adjusted the year 2019 budget to include potential repairs to the District's 20 storm sewer outfalls following the inspection of the outfalls.

Then Mr. Wright reported that Robert Kadlubar of 130 April Wind East had contacted him to discuss the removal of three trees on the Kadlubar property that had died after the District had completed extensive drainage work at the residence in May 2018. Mr. Kadlubar requested that the District remove the three dead trees. After further discussion, upon a motion duly made by Director Clay and seconded by Director Cunningham, the Board voted unanimously to authorize Hays to remove the three dead

trees at the District's expense, not to exceed \$1,500.00, and to request that Coats Rose prepare correspondence to and a full and complete release to be executed by Mr. Kadlubar to the District as a condition for the removal of the dead trees.

Next, Ms. Stebbins reported that she had recently received a telephone call from the owner of the residence at 29 Lakeview Village in the District. Ms. Stebbins recalled that the property owner had contacted Hays about June 2018 to request that the District relocate the storm sewer line at the residence so that the owner could construct a swimming pool in the back yard. Mr. Bleyl reminded the Board that Bleyl had inspected the property and informed the property owner that she should contact the San Jacinto River Authority (the "SJRA") because the District's storm sewer was located on a portion of the property owned by the SJRA. He added that he had also told the property owner that Bleyl recommended that she engage a private contractor to relocate the District's storm sewer line at the owner's expense. The Board determined that no action was necessary.

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

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 through March 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 2.60% on the District's accounts in March 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 March 2019, a copy of which is attached hereto as an exhibit to these minutes. Ms. Turner noted that the District had collected 94.62% of its 2018 tax levy as of the end of the reporting period. She mentioned that she anticipated that the Montgomery Central Appraisal District would issue the preliminary assessed values of properties in the District in May 2019. 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.

Escheatment of Unclaimed Property

Then Mr. Yale noted that the District was required to escheat unclaimed funds, such as uncashed customer refunds, to the Texas Comptroller of Public Accounts after one year. He explained that checks issued but returned to the District or left uncashed (except for checks from the Tax Account) for the period from 1 March 2017 through 28 February 2018 would have to be escheated to the State by 1 July 2019. Upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to authorize the escheatment of unclaimed property.

Drought Contingency Plan

The Board then considered the District's existing Drought Contingency Plan (the "DCP") dated 25 September 2008. Mr. Wright and Mr. Bleyl stated that they had reviewed the DCP and that they had no recommendations to amend the DCP at this time. Director Cunningham noted that the word "rinsed" on page 12 of the DCP was misspelled. Upon a motion duly made by Director Clay and seconded by Director Cunningham, the Board voted unanimously to reaffirm the DCP as written, subject to the correction of the misspelling as discussed.

Resolution Evidencing Review of Investment Policy and Investment Strategies

Then Mr. Yale reminded the Board of the requirement to conduct an annual review of the District's investment policy and strategies, pursuant to Section 2256.005 of the Public Funds Investment Act. He called attention to the Investment Strategies for each of the funds of the District, and he noted that generally changes were not made in the investment policy or strategies unless recommended by the Bookkeeper. Mr. Yale added that the Board was required to adopt a resolution evidencing the annual review of the policy and strategies. The Board reviewed the RESOLUTION EVIDENCING REVIEW OF INVESTMENT POLICY AND INVESTMENT STRATEGIES, including the List of Authorized Brokers attached thereto. After consideration, upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to make no changes to the District's investment policy or strategies, to approve the list of Authorized Brokers, and to adopt the Resolution Evidencing Review of Investment Policy and Investment Strategies, a copy of which 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 March 2019. A copy of the report is attached hereto and made a part of these minutes.

Attorney's Report

Next, Mr. Yale noted that Coats Rose had filed with the Commission the original executed copies of the Order Annexing Land and Redefining Boundaries of the District

(the "Order Annexing") and the Amendment to Information Form (the "Amendment") as adopted by the District at the 28 March 2019 Board of Directors meeting. Copies of the 16 April 2019 letters from Ms. Stebbins to the Commission transmitting the Order Annexing and the Amendment are attached hereto as exhibits to these minutes. Mr. Yale added that the Order Annexing and the Amendment had also been recorded in the Real Property Records of Montgomery County.

Lone Star Groundwater Conservation District

Ms. Stebbins stated that the memorandum regarding the 9 April 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 said that he had attended one of five town hall meetings conducted by Lone Star in April 2019. He said that certain cities within Lone Star's jurisdiction appeared to be concerned about the Lone Star's recent decision to prepare new rules to address the use of groundwater.

Mr. Wright and Ms. Smith departed the meeting at this time.

Executive Session

Then the Board entered into an executive session at 11:34 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 12:48 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

Montgomery County Utility District No. 4
Regular Meeting of 25 April 2019
Attachments

1. 2019 Insurance Renewal Summary
2. Letter of Representations to McCall Gibson Sweedlund Barfoot PLLC
3. Engineer's Report
4. Operator's Report
5. Five Year Plan updated 25 April 2019
6. Bookkeeper's Report
7. Tax Assessor/Collector's Report
8. Resolution Evidencing Review of Investment Policy and Investment Strategies
9. Website Traffic Report
10. Letter from Coats Rose to the Texas Commission on Environmental Quality transmitting Order Adding Land and Redefining Boundaries of the District
11. Letter from Coats Rose to the Texas Commission on Environmental Quality transmitting Amendment to Information Form
12. Memorandum from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District