

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

23 May 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 23rd day of May, 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; Janis Boulware, Secretary 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.

Wastewater Treatment Plant Committee

Director Clay stated that the Wastewater Treatment Plant (the "WWTP") Committee had met on 20 May 2019. He said that the necessary opening had been made in the top of the existing wet well at the lift station at the WWTP. Mr. Wright commented that the structural engineer had inspected the opening and that the hatch was being fabricated.

Joint Water Operations Committee

Director Clay reported that the Joint Water Operations Committee ("JWOC") had met during the month of May 2019. He added that the attendees included himself; Director Cunningham; Ms. Turner; Mr. Bleyl; Doris Hickman, the President of the Board of Directors of MCUD 3; Ms. Boulware; Steve Haskins of Protocol Bookkeeping Inc., the bookkeeper for MCUD 3; and Chris Roznovsky of Jones & Carter, Inc., MCUD 3's engineer. Director Clay said that the attendees had discussed the 2012 Agreement for Financing, Construction, Ownership, Operation and Maintenance of Water Facilities (the "2012 Water Facilities Agreement") by and between the District and MCUD 3 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 25 April 2019. Upon a motion duly made by Director Ganson and seconded by Director Williams, the Board voted unanimously to approve the minutes of 25 April 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, continued to progress slowly with the construction activities. He presented a copy of a letter from Carl Rushing, P.E., of Bleyl to Luis Guerra of Texas Pride, dated 13 May 2019, that advised that the contractor must increase productivity on the project. He added that Texas Pride had submitted a revised construction schedule to Bleyl that indicated that the project would be completed by 25 July 2019. Copies of the letter and the first page of Texas Pride's revised construction schedule are included in the Engineer's Report.

Sealing of the District's Sanitary Sewer Manholes. Mr. Bleyl recalled that after Bleyl had performed additional research on T. Gray Utility and Rehab Co., LLC ("T. Gray"), the low bidder for the project to seal the inner walls of District's sanitary sewer manholes, Bleyl had submitted and the Board had approved a new Recommendation of Award at the 20 May 2019 special meeting of the Board of Directors. He reminded the Board that T. Gray had not pre-qualified a proposed equal material and process for the project as outlined in the project's specifications. Mr. Bleyl continued that Bleyl had then recommended that the contract be awarded to the second bidder, Infrastructure Rehab USA, Inc. ("Infrastructure Rehab"). He said that Bleyl had verbally informed representatives of T. Gray and Infrastructure Rehab of the change in Bleyl's recommendation to the Board. Mr. Yale stated that he had reviewed and had no comments concerning Mr. Bleyl's proposed correspondence to T. Gray and the proposed correspondence from Bleyl to Infrastructure Rehab. Mr. Bleyl mentioned that

the Texas Commission on Environmental Quality (the "Commission") was still 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.

Mr. Wright commented that he had recently learned that Kay Eaton had a contract to sell her property at 14711 Marina Drive, outside the boundaries of the District. He said that he had spoken with Ms. Eaton to inform her that the new owner of the property would need to request that the District provide water and wastewater services to the property. Mr. Yale reminded the Board that Ms. Eaton had not signed the proposed Water Supply and Waste Treatment Agreement between the District and Ms. Eaton. Mr. Yale recommended that Mr. Wright request that Ms. Eaton execute the pending Access Easement to the District for the encroachment on Ms. Eaton's property of the District's generator for the Bay Point lift station before the sale of the property closed.

After further discussion, 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 55.46% 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 March 2019 through 29 April 2019 was 14,181,000 gallons. Mr. Wright added that the total pumpage for both districts was 16,233,500 gallons and that the total water accountability for both districts was 93.52% (ratio of billed to pumped water). He reminded the Board that the water accountability would not improve over the summer months because of the leak in the ground storage tank (the "GST") at the District's Water Plant No. 1 ("WP No. 1"). He stated that he had contacted two companies that provide fiberglass coatings for tanks, and he said that both companies had told him that the coatings were unsuitable for use with potable water. He explained that a vacuum test performed on the bottom of the GST had identified multiple rust pits on the floor of the tank, and he said that the process used to galvanize the GST several years ago was not known for long-term reliability. Mr. Wright opined that Superior Tank Corp. ("Superior Tank") was the best fabricator of galvanized GSTs. He said that Superior Tank had provided a quote to fabricate a new bottom for the GST at a cost of approximately \$24,900.00 and a separate quote to install the new bottom at a cost of \$25,000.00. Mr. Yale recommended that Mr. Wright request separate agreements for the fabrication and the installation of the new bottom for the tank because Hays was not requesting bids for the project. Mr. Bleyl commented that Superior Tank's quote to fabricate and install a new bottom for the GST appeared to be high, and he recommended that the Board authorize Bleyl to investigate other options. Director Clay opined that Mr. Wright should utilize a gauge to determine the volume of water being lost to the leak.

Mr. Wright reported that the WWTP had treated 19,353,000 gallons of wastewater during the month of April 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. He also pointed out that the WWTP had operated at less than 75% of capacity in April 2019.

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 two of the three accounts that had been terminated had paid the amounts past due and had service restored.

Then Mr. Wright reviewed with the Board a draft of the 2018 Drinking Water Quality Report (the "Water Quality Report"). He noted that the Commission allowed the District to deliver the annual Water Quality Report to customers by including a Uniform Resource Locator ("URL") on the customers' utility bills if the URL provides a direct link to the District's Water Quality Report, rather than enclosing the Water Quality Report with the billing. He added that he would arrange to post the final Water Quality Report on the District's website.

Concerning the repair to the District's storm sewer outfall at 29 Lakeview Village in the District, Mr. Wright reported that a sinkhole had developed where the bulkhead had deteriorated from past storm damage. He estimated the cost to repair the outfall would be \$12,000.00. He explained that if the District relocated the storm sewer as requested by the property owner, it would be necessary to install the storm sewer pipe next to the residence and to install a storm sewer manhole, for a total estimated cost between \$45,000.00 and \$50,000.00. Mr. Bleyl recalled that he had informed the property owner that she would bear all costs to relocate the District's storm sewer to be able to build a swimming pool on the property. He stated that if the District did not repair the damaged bulkhead to support the storm sewer outfall soon, additional repairs would likely be needed. Mr. Bleyl said that he would contact the property owner to remind her that the District would construct a coffer dam and repair the bulkhead at the owner's expense if the owner obtained permission from the San Jacinto River Authority (the "SJRA") to relocate the outfall instead of relocating the storm sewer pipe.

Mr. Wright talked about the status of the installation of the water and sanitary sewer taps, sanitary sewer manhole, and fire line tap for the 4.8336-acre property owned by Hytorc of Texas, Inc. that had been annexed to the District at the 28 March 2019 Board of Directors meeting. He said that Hays had completed the installation as discussed.

Mr. Wright reported that he had not yet investigated the cost of security cameras for the District's Water Wells No. 1 and No. 2. After discussion, upon a motion duly made by Director Williams and seconded by Director Cunningham, the Board voted unanimously to: (1) approve the Water Quality Report and to authorize its distribution to the District's customers by the URL link included on all customer billing prior to the 1 July 2019 deadline, subject to final review by the District's Attorney; (2) accept the Operator's Report as presented; and (3) authorize termination of any customer accounts

that remained unpaid by the deadline. A copy of the Water Quality Report thus approved is attached hereto as an exhibit to these minutes.

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

Ms. Turner mentioned that the District had an opportunity to nominate persons for the Montgomery Central Appraisal District's ("MCAD") board of directors to serve for the period from 1 January 2020 through 31 December 2021. She explained that the District would have one vote among the total of 706 votes shared by special purpose districts in Montgomery County to elect a candidate to the MCAD's board of directors. After a brief discussion, the Board determined that no action was needed.

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 reviewed the District's account balances, the District's balance sheet, and the actual versus budget comparison for the months of January through April 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 2.57% on the District's accounts in April 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 the Quarterly Investment 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 April 2019, a copy of which is attached hereto as an exhibit to these minutes. Ms. Turner noted that the District had collected 96.0% of its 2018 tax levy as of the end of the reporting period. She stated that MCAD had reported that the 2019 preliminary assessed valuation of the property in the District is \$536,243,146.00, an increase of 7.55% above the District's 2018 certified assessed valuation. Ms. Turner reminded the Board that the certified assessed valuation of the District's property was expected on or about 25 July 2019. Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to accept the Tax Assessor/Collector's Report.

Website Traffic Report

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

Lone Star Groundwater Conservation District

Ms. Stebbins stated that the memorandum regarding the 14 May 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. Ms. Stebbins distributed a copy of Lone Star's press release dated 21 May 2019 concerning the Final Judgment of the Court in the *City of Conroe, et al. vs. Lone Star Groundwater Conservation District* in the 284th District Court of Montgomery County Texas. According to the press release, she noted, Lone Star did not have the statutory authority to adopt or enforce the reduction of groundwater production of large-volume groundwater users. A copy of the press release is attached as an exhibit to these minutes. Mr. Bleyl mentioned the SJRA would soon begin to decrease the level of water in Lake Conroe by a total of two feet in preparation for hurricane season.

Attorney's Report

Next, Ms. Stebbins presented the proposed Full and Complete Release and Indemnity Agreement (the "Release and Indemnity Agreement") between the District and Robert Kadlubar and Mary Kadlubar, who reside at 130 April Wind East in the District. She reminded the Board that at the 25 April 2019 Board of Directors meeting, the Board had authorized Hays to remove certain dead trees from the Kadlubars' property contingent upon the Kadlubars' execution of the Release and Indemnity Agreement. Mr. Wright commented that Hays had already removed the dead trees from the property at a cost of \$900.00 to the District. He added that he would contact the Kadlubars to execute the Release and Indemnity Agreement.

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

Proposed Letter Agreement between the District and MCUD 3

The Board discussed the proposed Letter Agreement between the District and MCUD 3 concerning certain changes proposed to the 2012 Water Facilities Agreement between MCUD 3 and the District. Mr. Bleyl stated that it appeared that Mr. Roznovsky had proposed that the missing Exhibit A to the 2012 Water Facilities Agreement should indicate that the District would pay one-third of the cost to maintain, repair, or replace the booster pumps and the ground storage tank at MCUD 3's Water Plant. Mr. Bleyl added that Jim Dougherty, special counsel to MCUD 3, had recommended that the District pay 33.3% of such costs.

Executive Session

Then the Board entered into an executive session at 11:20 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.

Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to: (1) modify the District's proposed Letter Agreement as discussed during the Board's executive session; (2) authorize Director North to execute the Letter Agreement for transmittal to representatives of MCUD 3;

and (3) schedule a special meeting of the Board of Directors on Thursday, 6 June 2019, for further discussion and approval of the proposed Letter Agreement, if necessary. Director North requested that Coats Rose distribute the modified Letter Agreement to the Directors by electronic mail message to review the revisions before Director North executed the Letter Agreement. Director Clay requested that Ms. Turner confirm that Mr. Haskins had received the District's invoice to MCUD 3 in the amount of \$28,171.68 for MCUD 3's share of the engineering fees and construction costs pertaining to the installation of pressure-reducing valves in the districts in the years 2016 and 2017.

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 23 May 2019
Attachments

1. Engineer's Report
2. Operator's Report
3. 2018 Drinking Water Quality Report
4. Bookkeeper's Report
5. Quarterly Investment Report
6. Tax Assessor/Collector's Report
7. Website Traffic Report
8. Memorandum from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District
9. Lone Star Groundwater Conservation District Press Release dated 21 May 2019