

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

25 July 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 July, 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, L.P. ("Municipal"), the District's Bookkeeper; Lynda Troutman, a resident of the District; 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 explained that the Operator's Report, the Bookkeeper's Report, and the Tax Assessor/Collector's Report would be considered out of the sequence as noted in the meeting's agenda to allow Mr. Wright and Ms. Turner to depart the meeting to attend to other business. Director North noted that there was one member of the public present who wished to address the Board. Ms. Troutman stated that she had recently moved to 14809 Marina Drive in the District, and she said that she was in attendance to discuss curbside recycling services. She explained that certain of her neighbors appeared to have curbside recycling services and that she wished to be included in such a program. In response to a question from Director North, she replied that she is a member of the Leisure Cove Property Owners Association ("Leisure Cove POA"). Director North responded that the District and MCUD 3 had considered proposals for curbside recycling services in the past and that the residents of the districts had indicated in a survey that they were unwilling to pay for

the fees for recycling services. He recommended that Ms. Troutman contact the Leisure Cove POA to discuss such services. Ms. Troutman then commented that Bailey Brothers Garbage ("Bailey Brothers") had not picked up heavy trash materials from her residence, including materials used in remodeling and the lumber that had been replaced from the dock at her residence. Director North replied that Ms. Troutman should have received a copy of the District's heavy trash guidelines upon opening her water service account with Hays, and he briefly discussed Bailey Brothers' procedures for handling heavy trash pickup within the District. Director Clay mentioned that the Board of Directors of the District had renegotiated favorable rates for solid waste collection services with Bailey Brothers in 2017. Mr. Wright provided Ms. Troutman with a copy of the District's solid waste and heavy trash collection guidelines, and Ms. Troutman departed the meeting.

Wastewater Treatment Plant Committee

Mr. Wright reported that Hays had cleaned the basins at the lift station located at the Wastewater Treatment Plant (the "WWTP") and that sludge had been hauled from the WWTP during the current reporting period. He informed the Board that Brian Lucas of Hays will attend the 29 July 2019 meeting of the WWTP Committee.

Operator's Report

Next, Mr. Wright reviewed the Operator's Report, a copy of which is attached hereto as an exhibit. He informed the Board that the WWTP had experienced an excursion in June 2019, and he explained that the level of phosphorus in the effluent at the WWTP had been measured at 1.13 milligrams per liter ("mg/l"), exceeding the permitted level of 1.00 mg/l. He said that in the process of pressing sludge, the extracted fluids containing phosphorus had flowed back into the basin. Mr. Wright continued that the laboratory that conducted the testing of the WWTP's effluent had used a new testing protocol and that Hays had not immediately received the alert about the excursion. He added that the Texas Commission on Environmental Quality (the "Commission") does not require a written explanation of the excursion unless the WWTP experiences three consecutive excursions.

Mr. Wright reported that the District had been pumping approximately 56.99% of the water supplied to the District and to MCUD 3. He noted that the District's billed water consumption for the period of 29 May 2019 through 27 June 2019 was 20,383,500 gallons. Mr. Wright added that the total pumpage for both districts was 30,017,000 gallons and that the total water accountability for both districts was 94.09% (ratio of billed to pumped water).

Mr. Wright reported that the WWTP had treated 21,099,000 gallons of wastewater during June 2019. He noted that the average flow of wastewater to the WWTP had been 7,030,000 gallons per day during the same period.

Mr. Wright reviewed a list of four customer accounts that were delinquent in the payment for water and sewer services, as included in the Operator's Report. He noted

that the past due amounts for the accounts of two customers whose service had been terminated had been paid and those customers had service restored. The remaining two customers appeared to have moved, he added.

Hays had not received any water quality complaints or reports of water leaks, sanitary sewer backups, or sanitary sewer blockages in July 2019, said Mr. Wright. He noted that Hays had removed and replaced the failed concrete at the District's storm sewer inlet located on Oaks on the Water.

Mr. Wright mentioned that the Commission requires that operators of water plants prepare logs seven days per week concerning the chemicals used at the plants and the length of time that the pumps were operated. He also stated that the chemical tanks in use at water plants should be double-walled. Mr. Wright added that he was investigating the cost of double-walled chemical tanks and that he would report his findings to the Board.

The Board then discussed the District's Five-Year Plan, a copy of which is included in the Operator's Report. Mr. Wright reported that Hays would repair a failed storm sewer pipe at 134 April Breeze Street and that it may be necessary to remove and replace the wall topped with a fence between two residences at the repair site. After discussion, upon a motion duly made by Director Clay and seconded by Director Ganson, the Board voted unanimously to authorize Hays to repair the storm sewer pipe and to remove and replace the wall and fence at 134 April Breeze Street.

Next, Mr. Wright displayed photographs of the bottom of the District's ground storage tank (the "GST") at the District's Water Plant No. 1 ("WP No. 1"). He pointed out the water leaking from the bottom of the GST. Mr. Bleyl recalled that Hays had obtained a bid from Superior Tank Co., Inc. ("Superior Tank") to replace the bottom of the GST and that the Board had asked Bleyl to request two additional bids for the replacement. He stated that Bleyl had received a bid from Gemini Contracting Services, Inc. in the amount of \$57,000.00 to replace the bottom of the GST, a copy of which is included in the Engineer's Report, and that a third contractor had submitted a bid this morning. He said that the bid obtained by Hays from Superior Tank to fabricate and install the new bottom at a cost of \$49,893.00 remained the least costly option among the three bids. Mr. Bleyl added that further investigation was needed to determine whether the GST has cathodic protection. In response to a question from Director Clay, Mr. Bleyl said that he would inquire whether Superior Tank could weld the new bottom to the GST to provide cathodic protection. He pointed out that the GST would still need cathodic protection where the tank comes into contact with the ground. Upon a motion duly made by Director Williams and seconded by Director Clay, the Board voted unanimously to award the contract for the replacement of the bottom of the GST to Superior Tank in the amount of \$49,893.00, subject to the review and approval of the bonds and insurance by the District's Attorney.

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

presented and to authorize the termination of any customer accounts that remained unpaid by the deadline.

Mr. Wright departed the meeting at this time.

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 June 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 2.48% on the District's accounts in June 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 mentioned that she had received information from the Montgomery County Appraisal District ("MCAD") concerning the election of a director to represent special districts to MCAD's Board of Directors, and she stated that one candidate had submitted a resume to MCAD. She told the Board that the District is entitled to one of the approximately 700 eligible votes among the special districts to elect a director to the Board of Directors of MCAD. The Board determined that no action was needed.

Ms. Turner presented the Tax Assessor/Collector's Report, prepared by Tammy McRae, Tax Assessor/Collector for Montgomery County, Texas, for the month of June 2019, a copy of which is attached hereto as an exhibit to these minutes. Ms. Turner noted that the District had collected 97.73% of its 2018 tax levy as of the end of the reporting period.

Ms. Turner informed the Directors that MCAD was expected to distribute the certified assessed valuation of the District's property soon. She added that the Board could discuss the District's tax rate at the 22 August 2019 Board of Directors meeting, and she said that the Board should schedule a special meeting prior to the 26 September 2019 Board of Directors meeting to timely adopt the District's 2019 tax rate.

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.

Joint Water Operations Committee

Director Clay stated that the 11 July 2019 meeting of the Joint Water Operations Committee ("JWOC") had been attended only by himself, Director North, Ms. Hickman,

and Janis Boulware, Secretary of the Board of Directors of MCUD 3. He said that the JWOC members had discussed the status of billing for shared costs according to the 22 March 2012 Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities between MCUD 3 and the District.

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 27 June 2019. Upon a motion duly made by Director Clay and seconded by Director Ganson, the Board voted unanimously to approve the minutes of 27 June 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 project to perform cured-in-place pipe lining and pipe bursting, and to make repairs to the District's sanitary sewer manholes in Lakeview Village, was on schedule to complete the project by 31 July 2019. He told the Board that certain property owners in Lakeview Village had complained about the contractor's work, and he assured the Board that the nature of the complaints had been addressed with and would be corrected by Texas Pride. He mentioned that Texas Pride could be placed on a list of unacceptable contractors for future work even if Texas Pride provided the lowest bid.

Sealing of the District's Sanitary Sewer Manholes in April Sound Subdivision. Mr. Bleyl recalled that the contract for the project to seal the inner walls of the District's sanitary sewer manholes located on the west side of the District had been awarded to Infrastructure Rehabilitation, USA Inc. ("Infrastructure Rehab"). He stated that construction was under way and that Infrastructure Rehab was making good progress. He added that the project was estimated to be completed by 15 August 2019.

Feasibility Study for Proposed Annexation of 2.893 Acres on Marina Drive. Mr. Bleyl presented the Feasibility Report prepared by Bleyl concerning MHW Development and Construction Corp.'s ("MHW Development") request for the District's annexation of 2.893 acres on Marina Drive, located outside the boundaries of the District. A copy of the Feasibility Report is attached as an exhibit to these minutes. Mr. Bleyl stated that the annexation was financially feasible, and he recommended that the District annex and provide water and wastewater services to the subject property. He explained that MHW Development would need to construct an extension of the existing ten-inch diameter gravity sanitary sewer line to connect to the Key Harbor lift station to serve the proposed townhome development at MHW Development's expense. He pointed out that the age and current condition of the Key Harbor lift station should be evaluated to determine whether the lift station will require rehabilitation. He noted that the District would need well redundancy at the District's WP No. 1, adding that if the

District's WW No. 2 failed, the water service pump capacity would be insufficient to serve the current connections of MCUD 3 and the District. Mr. Bleyl opined that another well could be drilled at the site of the District's Water Well No. 2 ("WW No. 2") if the new well was drilled to a different aquifer. He said that Bleyl would prepare a comparison of the cost to drill a well in the Jasper Aquifer and the Catahoula Aquifer to be presented at the 22 August 2019 Board of Directors meeting. After further discussion, upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to: (1) accept the Feasibility Report; (2) request an additional deposit of \$5,000 from MHW Development; (3) annex the 2.893 acres; and (4) authorize the District's Engineer and the District's Attorney to proceed with the preparation of annexation documents and to obtain a title report on the subject land.

Relocation of the District's Storm Sewer at 29 Lakeview Village. Mr. Bleyl reported that the owner of the property at 29 Lakeview Village had left a telephone message stating her belief that she owns the property through which the District's storm sewer runs. He said that Bleyl's investigation had indicated that the storm sewer is located in an easement, and he reminded the Board that he had previously discussed the easement with the property owner. Mr. Yale recommended that the Board obtain a title report for the property to determine whether the storm sewer is located within an easement. Upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to authorize Coats Rose to obtain a title report for 29 Lakeview Village and to accept the Engineer's Report.

Website Traffic Report

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

Ms. Hickman departed the meeting at this time.

Lone Star Groundwater Conservation District

Ms. Stebbins distributed a memorandum regarding the 11 June 2019 meeting of the Board of Directors of the Lone Star Groundwater Conservation District ("Lone Star") and a memorandum regarding the 9 July 2019 meeting of the Board of Directors of Lone Star, copies of which are attached hereto as exhibits to these minutes. Mr. Bleyl commented that Lone Star's staff and consultants recommended that submissions of applications for permits to drill new wells be postponed until Lone Star had reviewed and adopted new rules for well spacing and groundwater pumpage withdrawal rates. He speculated that the new rules would be proposed for consideration by Lone Star's Board of Directors in the coming months.

Attorney's Report

Next, Mr. Yale presented the Attorney's Report. He presented a memorandum from Coats Rose regarding the bonds and insurance for the District's contract with

Infrastructure Rehab for the April Sound Sanitary Sewer Manhole Rehabilitation – Phase 1 project, a copy of which is attached hereto as an exhibit to these minutes.

Submission of the District's Annual Financial Report and Continuing Disclosure

Mr. Yale reported that Coats Rose had filed the District's Annual Financial Report for the Fiscal Year Ended 31 December 2018 and the District's Continuing Disclosure documentation for the year 2018 as prepared by Robert W. Baird & Co. ("Baird"), the District's Financial Advisor. He added that the Annual Financial Report and the Continuing Disclosure documentation had been submitted as required to the Municipal Securities Rulemaking Board. He noted that the District's Annual Financial Report had also been submitted to the Comptroller of Public Accounts with the required Local Government Debt Reporting Submission Form. Copies of the Published Submission Confirmation and the Local Government Debt Reporting Submission Form are attached hereto as exhibits to these minutes.

Legislative Update regarding Water Districts that have Websites

Mr. Yale reviewed with the Board a memorandum prepared by Coats Rose that summarizes certain bills approved by the 86th Texas Legislature – Regular Session (2019) concerning water districts that have websites, a copy of which is attached to and shall be considered to be part of these minutes. He discussed the requirements that would be effective as of 1 September 2019 for water districts that have websites, including the posting of the minutes of the meeting of the tax rate hearing, the contact information of the District, the names of each elected officer, information concerning the date and location of the next election for Directors, the deadlines for filing for candidacy, and the requirement to post the District's agendas and minutes of all meetings. Mr. Yale also pointed out certain additional requirements that would be effective as of 1 January 2020, chiefly concerning the no-new-revenue and the voter-approval tax rate to be posted on the home page of the website with additional detailed information about the District's maintenance and operations tax rate.

Mr. Bleyl commented that the District has adequate funding in the District's Construction Fund to drill a new well in the Catahoula Aquifer without the need of a bond sale. He speculated that Lone Star would not issue a permit to the District to drill to the depth necessary to reach the deeper Catahoula Aquifer in the existing hole already completed to the shallower Jasper Aquifer. A discussion ensued regarding the proposal that the District drill a new well.

Director North recommended that the Directors schedule a special meeting of the Board of Directors for further discussion of the existing water and sanitary sewer agreements between the District and MCUD 3. The Directors determined that the special meeting of the Board of Directors should be scheduled for Thursday, 8 August 2019.

Arbitrage Rebate and Compliance Service Program Report

Mr. Yale 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.

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 July 2019
Attachments

1. Operator's Report
2. Bookkeeper's Report
3. Tax Assessor/Collector's Report
4. Engineer's Report
5. Feasibility Report for the Proposed Annexation of 2.893 Acres
6. Website Traffic Report
7. Memoranda from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District on 11 June 2019 and 9 July 2019
8. Memorandum from Coats Rose, P.C. regarding Bonds and Insurance for Infrastructure Rehabilitation, USA Inc.
9. Published Submission Confirmation
10. Local Government Debt Reporting Submission Form
11. Memorandum from Coats Rose, P.C. concerning the Legislative Summary of New Items required for Websites
12. Arbitrage Rebate and Project Fund Yield Restriction Compliance Service Program Report