

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

26 September 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 26th day of September, 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 and Adam Charanza of Municipal Accounts & Consulting, L.P. ("Municipal"), the District's Bookkeeper; Doris Hickman, President of the Board of Directors of Montgomery County Utility District No. 3 ("MCUD 3"); Matt Lamey, a resident of the District; 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. Mr. Lamey stated that he was in attendance to observe the meeting. He said that he had no comments at this time.

Wastewater Treatment Plant Committee

Mr. Wright recalled that Hays had investigated the chemical scan unit at the Wastewater Treatment Plant (the "WWTP") owned by the District and MCUD 3 after an excessive level of phosphorus had been measured in the effluent at the WWTP in June 2019. He said that the chemical scan unit appeared to be in good working order.

Joint Water Operations Committee

Director North informed the Board that the members of the Joint Water Operations Committee ("JWOC") had not met in the month of September 2019. He said that the members of the JWOC would attempt to meet in October 2019.

Approval of Minutes

The Board then considered approval of the minutes of the meeting of the Board of Directors of 22 August 2019. Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted unanimously to approve the minutes of 22 August 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.

Proposed Annexation of 2.893 Acres – MHW Development and Construction Corp. Mr. Bleyl told the Board that the proposed annexation of 2.893 acres located on Marina Drive would be delayed. Mr. Konopka explained that the developer that had requested the annexation, MHW Development and Construction Corp.'s ("MHW Development"), did not yet own the 2.893 acres and that it could be two or more months until the developer closed on the purchase of the property. He recommended that the District consider entering into a temporary out-of-district water service agreement with MHW Development to be in effect until the 31 December 2019 or until such date that MHW Development acquires the title to the property. Mr. Yale remarked that MHW Development may wish to defer water service from the District until the proposed annexation is completed because the District's out-of-district service rates would be costly.

Repairs to the bottom of the District's Ground Storage Tank. Mr. Bleyl said that the installation of the new bottom for the District's ground storage tank ("GST") at Water Plant No. 1 ("WP No. 1") was expected to commence in late November 2019. In response to a question from the Board, Mr. Wright speculated that Superior Tank Co., Inc. would be able to complete the installation in less than a week. Mr. Bleyl continued that Bleyl had solicited and received three bids to apply cathodic protection to the interiors of both of the District's GSTs at WP No. 1. He recommended that the Board award the contract for cathodic protection to the lowest bidder, but he added that Director Clay wished to discuss certain technical aspects of the proposed work with Bleyl. He suggested that the Board table the award of the contract until the 24 October 2019 Board of Directors meeting. Copies of the bids and Bleyl's bid tabulation are included in the Engineer's Report.

Proposal to Drill a New Well in the District. Mr. Bleyl noted that Travis Walker, P.E., of Bleyl had previously discussed Bleyl's Engineering Preliminary Opinion of Cost for a proposed well to be drilled in the Jasper Aquifer ("Jasper") and a proposed well to

be drilled in the Catahoula Aquifer ("Catahoula") at the 22 August 2019 Board of Directors meeting. He pointed out that a copy of the Engineering Preliminary Opinion of Cost is included in the Engineer's Report. The estimate is \$3,169,000.00 for a Catahoula well plus an additional \$500,000.00 for cooling towers.

Resident's Request for Relocation of the District's Storm Sewer at 29 Lakeview Village. The homeowner of Lot 29 of Lake View Village, Section 1 had requested that Bleyl provide her with a copy of the title report concerning the San Jacinto River Authority's (the "SJRA") ownership of a portion of Lot 29 of Lake View Village, Section 1, along the edge of the lake. Director North replied that Bleyl could provide the requested report to the homeowner. Mr. Bleyl added that he and Mr. Wright would inspect the District's outfall at 29 Lakeview Village in accordance with the homeowner's request to determine the extent of the necessary repairs to the outfall. He mentioned that the addition of a coffer dam at the outfall would be the costliest of the anticipated repairs. 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

Mr. Wright reviewed the Operator's Report, a copy of which is attached hereto as an exhibit. He stated that the District had pumped approximately 51.65% of the water supplied to the District and to MCUD 3 and that the District's billed water consumption for the period of 29 July 2019 through 28 August 2019 was 21,008,000 gallons. The total pumpage for both districts in the reporting period was 35,375,000 gallons, added Mr. Wright, and he recalled that little rainfall had been measured in the District in August 2019. He noted that the total water accountability for both districts was 97.08% (ratio of billed to pumped water).

Mr. Wright reported that the WWTP treated 21,615,000 gallons of wastewater during August 2019. He said that the average flow of wastewater to the WWTP had been 697,000 gallons per day during the same period.

Hays had mailed notices to 128 customers of the District whose accounts were delinquent in the payment for water and sewer services, stated Mr. Wright. He added that all of the past-due amounts had been paid prior to the deadline for termination of service.

Mr. Wright told the Board that no water quality complaints or sanitary sewer backups had been reported to Hays by the District's customers to date in September 2019. He said that Hays had been notified of and had repaired 11 leaks from District water service lines, main water distribution lines, and leaks at meters during the same period. He pointed out that Hays had investigated two possible sanitary sewer blockages at 124 April Waters Drive North and 153 Dawns Edge Drive and had found that the District's sanitary sewer lines were clear.

Then Mr. Wright reminded the Board that Tachus, LLC ("Tachus"), an Internet service provider, continued to install conduit for fiber optic lines within the boundaries of

the District, resulting in occasional damage to the District's facilities. He reported that Hays had placed approximately 1,500 flags throughout the District to mark the locations of the District's facilities, and he said that Tachus had engaged several subcontractors to assist with the excavation and conduit installation. He explained that the subcontractors typically waited until the end of the day to notify Hays of damages to the District's water distribution facilities, and he explained that it had been necessary for Hays personnel to work overtime to repair the damaged lines in the evenings. Mr. Wright stated that the president of Tachus had informed him that Tachus would pay Hays's overtime charges to perform repairs that could not be completed during normal business hours. He opined that neither the District nor Tachus is responsible for damage to residents' irrigation systems where residents had placed irrigation lines and sprinkler heads within the District's easements. Ms. Hickman mentioned that a substantial amount of water had been lost from some of the damaged water distribution lines within the boundaries of MCUD 3, and she opined that the district's customers should not pay for the water lost to such leaks. Mr. Wright assured Ms. Hickman and the Board that Hays would pursue payment from Tachus for all water lost to leaks that appeared to be caused by damage to the districts' facilities by Tachus's conduit installation work. Director Clay inquired whether the District's water lines were fabricated of metal or whether the non-metallic lines were wrapped with metal wire to facilitate location of the lines. Mr. Wright responded in the negative, and he added that he would investigate the cost to wrap metallic wire on the District's non-metallic water lines.

Continuing the Operator's Report, Mr. Wright commented that G-M Inspection Services, Inc. ("G-M Services") had performed tests on the District's wells, but he said that the well reports were not yet available. He said that the results of the tests on the District's Water Well No. 2 were expected to be good.

Mr. Wright reported that Hays had replaced the electrical component of the "soft start" motor on the Snug Harbor lift station, located in the District. He stated that the cost to replace the failed component was approximately \$4,000.00. He also mentioned that a leak had developed in the portion of the District's 12-inch diameter water main that is located in the yard of the residence adjacent to the District's WP No. 1. Mr. Wright continued that it would be necessary for Hays to excavate the resident's yard so that Hays could access the failed section of the water main for repairs. Instead, he explained, Hays planned to abandon the failed portion of the water main located in the resident's yard, adding that Hays would reroute the water main to be inside the fence around the perimeter of WP No. 1, which would facilitate future repairs without disturbing the yard of the adjacent residence. He estimated that the cost to relocate the water main would be \$10,000.00.

Hays had not yet commenced the annual "pigging" of the District's water lines as Hays personnel continued to repair numerous leaks in the District's water distribution system caused by Tachus's excavation activities or the shifting of dry soil, reported Mr. Wright. He proposed that Hays install ten water sampling stations at a cost of \$1,700.00 each in certain accessible locations in the District so that it would be

unnecessary to take samples from ten residential locations. He said that he would add the installation of the water sampling stations to the District's Five-Year Plan.

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 attached hereto. Director Ganson speculated that he may be able to locate the current address of a certain former customer on the list. 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, 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, subject to Director Ganson's investigation.

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

Ms. Turner then presented the Bookkeeper's Report, a copy of which is attached hereto. She reviewed the District's account balances, the District's balance sheet, and the actual versus budget comparison for the months of January through August 2019. She requested approval for payment of the District's bills. Ms. Turner reviewed the Construction Fund breakdown of interest and account maintenance fees from the District's Series 2011 Bonds and Series 2014 Bonds. She pointed out that the Texas Cooperative Liquid Assets Securities System had paid an average interest rate of 2.27% on the District's accounts in August 2019, a decrease from the average interest rate of 2.40% paid in July 2019. Ms. Turner reported that a balance of \$4,395.00 remained of the developer's deposit previously paid to the District by MHW Development. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Williams, 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 August 2019, a copy of which is attached hereto. Ms. Turner noted that the District had collected 98.90% 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.

Reschedule Board of Directors Meetings in November and December

The Board then considered rescheduling the District's regular Board of Directors meetings for the months of November 2019 and December 2019 to avoid a conflict with seasonal holidays. After a brief discussion, the Board agreed to reschedule the regular Board of Directors meeting for November to the third Thursday, 21 November 2019, and to reschedule the regular Board of Directors meeting for December to the third Thursday, 19 December 2019.

Texas Commission on Environmental Quality Advanced Review of Compliance History Report

Next, Mr. Yale reviewed with the Board the Texas Commission on Environmental Quality's (the "Commission") Advanced Review of Compliance History ("ARCH") report for the District, a copy of which is attached hereto as an exhibit to these minutes. He explained that the Commission rates the compliance history of all organizations under Title 30, Texas Administrative Code, Chapter 60, evaluates the compliance history of each site, and classifies each site as "High," "Satisfactory," "Unsatisfactory," or "Unclassified." He explained that authorized representatives of the regulated entities are able to register and review the entities' compliance histories online and submit comments and requests for corrections to the Commission prior to the information being made public. Mr. Yale noted that registration for the ARCH program is available during the month preceding the annual recalculation of ratings on 1 September of each year. Beginning on 15 September of each year, he told the Board, registered ARCH users could access their compliance history for 30 days and submit comments and requests for corrections. Mr. Yale stated that the District's Attorney had registered as an ARCH user for the District and had forwarded copies of the ARCH reports for the District to the District's Engineer and Operator for review prior to the deadline.

Website Traffic Report

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

Lone Star Groundwater Conservation District

Ms. Stebbins distributed a memorandum regarding the 10 September 2019 meeting of the Board of Directors of the Lone Star Groundwater Conservation District ("Lone Star"), a copy of which is attached hereto. Mr. Yale mentioned that Lone Star had begun to live-stream the meetings of Lone Star's Board of Directors.

In response to a question from the Board, Mr. Wright stated that Diamondhead Water Supply Corporation has a total of 159 connections served by the District's sanitary sewer collection system. He said that Hays had estimated that the District could increase revenue by increasing the District's commercial sanitary sewer rate based on the District's current charge for residential sanitary sewer service multiplied by the number of connections. Mr. Yale stated that the Board could discuss a possible increase in the District's rates for sanitary sewer service at the 24 October 2019 Board of Directors meeting.

Ms. Hickman and Mr. Lamey departed the meeting at this time.

Executive Session

Then the Board entered into an executive session at 11:04 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 11:25 a.m.

Upon a motion duly made by Director Williams and seconded by Director Ganson, the Board voted unanimously to authorize Mr. Yale to contact Jim Dougherty, special counsel to MCUD 3, to arrange a meeting in October 2019 of two representatives of each of the two districts, the districts' engineers, and the districts' attorneys to discuss a possible resolution of the issues regarding the Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities by and between the District and MCUD 3, dated 22 March 2012, and to discuss MCUD 3's invoices to the District for the shared costs related to the maintenance of the joint water facilities from March 2019 through September 2019.

Mr. Yale told the Board that Mr. Konopka had contacted David Wood of Robert W. Baird & Co. Incorporated ("Baird"), the District's Financial Advisor, regarding the refunding of a portion of the District's Series 2014 Bonds. Mr. Yale recommended that the District engage an attorney to advise the District regarding tax matters that would arise in the refunding procedures. Ms. Turner recalled that Mr. Wood had informed the Board that the District could use a portion of the District's capital funds to open an escrow account to retire approximately \$2,500,000.00 of the principal amount of the District's Series 2014 Bonds. Mr. Konopka stated that he had discussed Mr. Wood's refunding proposal with an attorney with special expertise in tax issues. Mr. Konopka continued that the tax counsel had recommended that the District defease the entire unused principal amount of the District's Series 2014 Bonds. Director North opined that the Directors should call a special meeting to discuss the defeasance and tax issues.

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 26 September 2019
Attachments

1. Engineer's Report
2. Operator's Report
3. Write-Off List of Delinquent Accounts
4. Bookkeeper's Report
5. Tax Assessor/Collector's Report
6. Texas Commission on Environmental Quality's Advanced Review of Compliance History
7. Website Traffic Report
8. Memorandum from Coats Rose, P.C. regarding the activities of the Lone Star Groundwater Conservation District on 10 September 2019