

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

24 October 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 24th day of October, 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; 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 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

Director Clay stated that he had nothing new to report concerning the Wastewater Treatment Plant (the "WWTP") owned by the District and MCUD 3. He said that the WWTP Committee would meet on 28 October 2019.

Joint Water Operations Committee

Director Clay reported that the members of the Joint Water Operations Committee ("JWOC") had met on 15 October 2019. He added that the District and MCUD 3 had discussed the provisions of the proposed First Amendment to the Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities by and between the District and MCUD 3 (the "First Amendment").

Approval of Minutes

The Board then considered approval of the minutes of the meetings of the Board of Directors of 12 September 2019, 17 September 2019, and 26 September 2019. Upon a motion duly made by Director Cunningham and seconded by Director Williams, the Board voted unanimously to approve the minutes of 12 September 2019, 17 September 2019, and 26 September 2019 as written.

Engineer's Report

Mr. Bleyl presented the Engineer's Report, a copy of which is attached hereto.

Cathodic protection for the District's Ground Storage Tanks. Mr. Bleyl stated that Bleyl had solicited and received bids to add cathodic protection to the interior of both of the District's ground storage tanks ("GSTs") at the District's Water Plant No. 1 ("WP No. 1"). He reviewed the Recommendation of Award and the Bid Summary with the Board, a copy of which is included in the Engineer's Report. Mr. Bleyl recommended that the Directors award the contract to CORRPRO Companies, Inc. ("CORRPRO"), which submitted the low bid in the amount of \$43,650.00. Mr. Wright reminded the Board that Director Clay had requested that Mr. Wright obtain a quote from Superior Tank Co., Inc. ("Superior Tank") to fabricate the new bottom for the District's galvanized GST of ten-gauge steel instead of twelve-gauge steel. Mr. Wright added that Superior Tank had not responded to his request. Mr. Bleyl continued that Bleyl now awaited a separate quote from CORRPRO to apply cathodic protection to the exterior of the new bottom to be fabricated for the galvanized GST. Director Clay opined that cathodic protection for the exterior of the new bottom would be prudent if Superior could only fabricate the tank bottom of twelve-gauge steel. After further discussion, upon a motion duly made and seconded, the Board voted unanimously to award the contract to add cathodic protection to the interior of the District's two GSTs to CORRPRO in the amount of \$43,650.00 and to accept the anticipated quote from CORRPRO to add cathodic protection to the new bottom for the galvanized GST if the cost does not exceed \$15,000.00. Mr. Bleyl mentioned that the cathodic protection for the new tank bottom could also be accomplished through a change order for the above-awarded contract with CORRPRO.

Rehabilitation of the District's Sanitary Sewer Lines in Lakeview Village. Mr. Bleyl informed the Board that Texas Pride Utilities, LLC ("Texas Pride") had completed the final site clean-up for the project for the rehabilitation of the District's sanitary sewer lines in Lakeview Village. He noted that Texas Pride had provided the

maintenance bond to the District in the amount of \$207,184.80 for the project. A copy of the maintenance bond is included in the Engineer's Report. Ms. Stebbins presented the memorandum from Coats Rose concerning the updated maintenance bond for the 2019 Lakeview Village Sanitary Sewer Repairs performed by Texas Pride. A copy of the memorandum is attached hereto.

Proposal to Drill a New Well in the District. Mr. Bleyl recalled that at the 22 August 2019 Board of Directors meeting, Bleyl had presented the Engineering Preliminary Opinion of Cost for a proposed well to be drilled in the Jasper Aquifer ("Jasper") for an estimated cost of \$2,106,000.00 and a proposed well to be drilled in the Catahoula Aquifer ("Catahoula") for an estimated cost of \$3,169,000.00, copies of which are included in the Engineer's Report. He then presented the Engineering Preliminary Opinion of Cost for the construction of the proposed twelve-inch diameter water line interconnect with Stanley Lake Municipal Utility District ("Stanley Lake MUD") for the Board's consideration, a copy of which is attached hereto. Mr. Bleyl pointed out that the estimated cost of the proposed interconnect is \$742,000.00. Noting that if constructed, the proposed interconnect could provide increased water capacity to the west side of the District, Director North requested that Mr. Bleyl contact a representative of Stanley Lake MUD to discuss the proposed water line interconnect and report further to the Board.

Resident's Request for Relocation of the District's Storm Sewer at 29 Lakeview Village. Mr. Bleyl told the Board that he had met with the property owners at 29 Lakeview Village on 7 October 2019. He stated that Hays had since prepared a bid for certain work on the property for the owners' consideration. Mr. Wright then presented Hays' proposal to address the property owners' request for repairs to the damaged bulkhead and outfall at the property and the possible relocation of the District's storm sewer so that the owners could construct a swimming pool. He pointed out that the proposal included the option for the repair of the damaged bulkhead and the outfall pipe at the property at a cost of \$9,500.00, to be performed at the District's expense. He continued that the second option in the proposal pertained to the relocation of the District's storm sewer, currently located within the portion of the lot owned by the San Jacinto River Authority (the "SJRA"), and the possible installation of a transitional storm sewer manhole, if necessary. He noted that the estimated total costs to be paid by the homeowners for the relocation of the District's storm sewer would be between \$40,500 and \$47,300.00. A copy of the proposal is attached hereto. Director Clay opined that the District should proceed with the necessary repairs to the bulkhead and the outfall. The Board requested that Mr. Bleyl discuss the District's proposal with the homeowners. After further discussion, upon a motion duly made by Director Ganson and seconded by Director Williams, 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. He stated that the District had pumped approximately 55.26% of the water supplied to the District and to MCUD 3 and that the District's billed water consumption for the period

of 28 August 2019 through 27 September 2019 was 19,889,000 gallons. He added that the total pumpage for both districts in the reporting period was 33,878,000 gallons. He noted that the total water accountability for both districts was 94.00% (ratio of billed to pumped water).

Mr. Wright reported that Tachus, LLC ("Tachus") had damaged several service lines in the District as Tachus employees and subcontractors continued to install the conduit for fiber optic lines throughout the District. He commented that Tachus had damaged certain water service lines that Hays had marked prior to Tachus's work in the area. He continued that he had recorded the locations where Hays had marked the District's water lines. Mr. Wright told the Board that he would present the documentation to Tachus with the District's bill for the repairs to the water lines damaged by Tachus and for the cost of water lost from such damaged water service lines.

Mr. Wright stated that the WWTP treated 20,189,000 gallons of wastewater during September 2019. He said that the average flow of wastewater to the WWTP had been 673,000 gallons per day during the same period. He pointed out that the WWTP's effluent quality had been in compliance with the Permit to Dispose of Wastes issued by the Texas Commission on Environmental Quality.

Hays had mailed notices to 186 customers of the District whose accounts were delinquent in the payment for water and sewer services, reported Mr. Wright. He added that all but one of the past-due amounts had been paid prior to the deadline for termination of service. The customer whose service had been terminated for failure to make a timely payment on the account had paid the past-due amount and service had been restored, said Mr. Wright.

Mr. Wright informed the Board that the District had reached 70.20% of its permitted capacity under the Lone Star Groundwater Conservation District's ("Lone Star") 2019 permit for groundwater pumpage from the Jasper Aquifer. He assured the Board that Hays would decrease production from the District's Water Well No. 2 ("WW No. 2") as cooler weather advanced, and he predicted that the District would not exceed the permitted withdrawal for the year. In response to a question from Director North, Mr. Bleyl confirmed that Lone Star no longer required a 30% reduction in the groundwater pumpage from the Jasper Aquifer. He reminded the Board that the Texas Water Development Board had rejected Lone Star's proposed 2019 Groundwater Management Plan (the "GMP") because the GMP had not included certain Desired Future Conditions.

Mr. Wright noted that Hays had not received any water quality complaints and that no sanitary sewer backups had been reported to Hays by the District's customers in the reporting period. He said that Hays had been notified of and repaired six leaks from District water service lines, main water distribution lines, and leaks at meters during the same period. Mr. Wright pointed out that Hays had investigated three possible sanitary sewer blockages in the District and had found that the District's sanitary sewer lines were clear at each of the locations.

Mr. Wright then presented the District's updated Five-Year Plan (the "Plan"), a copy of which is included in the Operator's Report. He mentioned that the project for the driveway at the April Villas Lift Station had been moved from year 2019 to year 2020. The project to construct certain bacteriological sampling sites in the District would proceed in 2019, beginning in the Water Oak Subdivision, he added. Mr. Wright pointed out that the District would also need to seal the inner walls of the sanitary sewer manholes on the east side of the District as Infrastructure Rehabilitation, USA Inc. had done on the west side of the District.

Mr. Wright called attention to the template for a table that he had prepared to document the split of costs for the maintenance and operation of MCUD 3's Water Plant No. 1 between the District and MCUD 3, as included in the Operator's Report. He stated that he had prepared the template in contemplation of Hays' pending responsibility to calculate the split of shared costs between the districts for the operation and maintenance of the Catahoula water well at MCUD 3's Water Plant No. 1. He added that Hays would provide the table and separate invoices each month to both of the districts upon the District's approval and execution of the proposed First Amendment. Upon a motion duly made by Director Cunningham 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

Mr. Charanza then presented the Bookkeeper's Report, a copy of which is attached hereto. He reviewed the District's account balances, the District's balance sheet, and the actual versus budget comparison for the months of January through September 2019. He requested approval for payment of the District's bills. Mr. Charanza reviewed the Construction Fund breakdown of interest and account maintenance fees from the District's Series 2011 Bonds and Series 2014 Bonds. He pointed out that the Texas Cooperative Liquid Assets Securities System had paid an average interest rate of 2.13% per annum on the District's accounts in September 2019.

Mr. Charanza called attention to the District's Utility Usage and Expense Report for the period of September 2018 through August 2019, as included in the Bookkeeper's Report. Mr. Yale explained that pursuant to House Bill 3693 of the 80th Texas Legislature (Regular Session, 2007), certain Texas political subdivisions are required to record and make available their utility usage and costs. Ms. Stebbins mentioned that the Utility Usage and Expense Report would be posted on the District's website. After further discussion, upon a motion duly made by Director Cunningham and seconded by Director Clay, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the District's bills.

Next, Mr. Charanza presented the Tax Assessor/Collector's Report, prepared by Tammy McRae, Tax Assessor/Collector for Montgomery County, Texas, for the month of September 2019, a copy of which is attached hereto. Mr. Charanza noted that the District had collected 99.03% 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 Ganson, the Board voted unanimously to accept the Tax Assessor/Collector's Report.

Director North recalled that the Diamondhead Water Supply Corporation ("Diamondhead") and the District had entered into the Agreement for the Sale and Purchase of Permanent Wastewater Treatment Plant Capacity (the "Diamondhead WWTP Capacity Agreement"), effective on 13 August 2010. He suggested that the Board consider an increase in the rate currently paid by Diamondhead to the District for the operation and maintenance of the WWTP. He reminded the Board that the current rate according to the provisions of the Diamondhead WWTP Capacity Agreement is 1.7 times the District's current commercial rate pursuant to the District's Rate Order. He said that the District would possibly need to amend the Rate Order concerning the commercial rate for sanitary sewer service to be based on the residential rate. He opined that the District could then charge Diamondhead based on the residential sanitary sewer service rate adjusted for the solid waste collection services not actually provided to Diamondhead and multiplied by the out-of-District customer rate, which would result in the new rate of \$22.50 per connection. Director North added that Diamondhead has 159 connections at this time. He requested that Coats Rose review the District's Rate Order to determine whether an amendment to the commercial sanitary sewer rates would be necessary, and he added that the District would need to send correspondence to inform Diamondhead that the sanitary sewer rate per connection to customers served by Diamondhead will increase as early as 1 December 2019 or 1 January 2020.

Defeasance of the District's Series 2014 Bonds

Mr. Yale informed the Board that Coats Rose awaited further information from David Wood of Robert W. Baird & Co. Incorporated, the District's Financial Advisor, concerning the defeasance of the District's Series 2014 Bonds.

Proposed Annexation of 2.893 Acres – MHW Development and Construction Corp.

Mr. Yale discussed the status of the proposed annexation of 2.893 acres located on Marina Drive requested by MHW Development and Construction Corp. ("MHW Development"). He reminded the Board that the developer could not enter an agreement for annexation with the District at the present time because MHW Development did not yet own the 2.893 acres. Mr. Bleyl mentioned that Mark Windell of MHW Development had informed him that MHW Development expected to close on the purchase of the 2.893 acres in November 2019, and he said that Mr. Windell intended to obtain construction permits from the City of Conroe (the "City") soon. Mr. Yale requested that Mr. Bleyl relay to Mr. Windell that the District would consider entering a temporary out-of-District water service agreement with MHW Development, to remain in effect until the end of the year or until such time that the developer acquired title to the property and provided the necessary documentation to the District so that the annexation procedures could commence.

Website Traffic Report

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

Proposed Amendment to the Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities by and between the District and MCUD 3

The Board then considered the proposed First Amendment and MCUD 3's letter to the District, dated 23 October 2019, offering a moratorium on MCUD3's invoices to the District for certain water and sanitary sewer transmission facilities. A copy of MCUD 3's letter is attached hereto. Mr. Yale noted that MCUD 3 offered a moratorium on the presentation of invoices to the District for the use of MCUD 3's transmission facilities for a period of six months upon the District's execution of the First Amendment, which MCUD 3's Board of Directors had already approved and executed. He added that the First Amendment included the provision that Hays would bill MCUD 3 and the District separately for the costs to operate and maintain MCUD 3's Water Plant No. 1. Mr. Bleyl said that he would prepare an update concerning the ownership and utilization of the water and sanitary sewer transmission lines located within the two districts for the 14 November 2019 JWOC meeting.

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

Lone Star Groundwater Conservation District

Ms. Stebbins stated that the memorandum regarding the 8 October 2019 meeting of the board of directors of Lone Star was still being prepared.

Executive Session

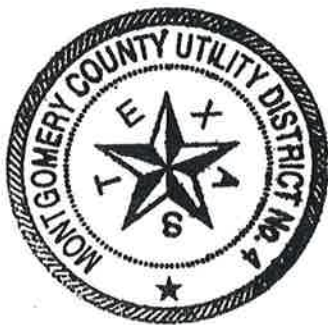
Then the Board entered into an executive session at 11:18 a.m., pursuant to V.T.C.A. Government Code, Chapter 551, to discuss potential litigation. The Board reconvened in open session at 11:59 a.m.

Upon a motion duly made by Director Clay and seconded by Director Cunningham, the Board voted to approve the First Amendment to the Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities by and between the District and MCUD 3 with Directors North, Clay, Ganson, and Cunningham voting in favor of the First Amendment and Director Williams voting against the First Amendment. A copy of the First Amendment thus approved and executed is attached hereto. Director Clay opined that the Board should request that Bleyl and Jones & Carter, Inc., MCUD 3's engineer, work together to review the water and sanitary sewer transmission lines in the districts so that the districts could apportion the costs associated with transmission of water and wastewater between the districts. The Directors concurred.

The Board briefly discussed the proposed Fourth Contract Amendment for Signed Contract Dated April 1, 2006; Amended June 1, 2008; Amended November 1, 2014; Amended August 24, 2017 between the District and Hays Utility Corporation North (the "Fourth Amendment"). Mr. Yale explained that by approving the proposed Fourth Amendment, the District would authorize Hays to perform certain functions pertaining to the apportionment of shared costs for the maintenance and operations of MCUD 3's Water Plant No. 1 and to obtain the approval of the districts' respective Boards of Directors for certain maintenance and operations costs. Upon a motion duly made by Director Cunningham and seconded by Director Ganson, the Board voted to approve the Fourth Amendment, with Directors North, Clay, Cunningham, and Ganson voting in favor of the proposal, and Director Williams abstaining from the vote. A copy of the Fourth Amendment thus approved and executed is attached hereto.

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 24 October 2019
Attachments

1. Engineer's Report
2. Memorandum from Coats Rose concerning the updated maintenance bond for the 2019 Lakeview Village Sanitary Sewer Repair
3. Engineering Preliminary Opinion of Cost for the Proposed 12-Inch Diameter Waterline Interconnect
4. Proposal for Repairs to Bulkhead and Outfall and Relocation of the District's Storm Sewer at 29 Lakeview Village
5. Operator's Report
6. Bookkeeper's Report
7. Tax Assessor/Collector's Report
8. Website Traffic Report
9. Letter from Montgomery County Utility District No. 3 to the District concerning Moratorium on Invoices for Water and Sanitary Sewer Transmission Facilities
10. First Amendment to the Agreement for Financing, Construction, Ownership, Operation, and Maintenance of Water Facilities, dated 22 March 2012, by and between the District and MCUD 3
11. Fourth Contract Amendment for Signed Contract Dated April 1, 2006; Amended June 1, 2008; Amended November 1, 2014; Amended August 24, 2017 between the District and Hays Utility Corporation North