

FAR HILLS UTILITY DISTRICT

MINUTES OF BOARD OF DIRECTORS MEETING

April 11, 2019

The Board of Directors (the "Board") of Far Hills Utility District (the "District") met in regular session, open to the public, at 5:00 p.m., at the District's office, 10320 Cude Cemetery Road, located within the boundaries of the District, on Thursday, April 11, 2019, pursuant to the notice of said meeting, whereupon, the roll was called of the members of the Board, to-wit:

James M. Haymon	President
Christopher A. Kuhl	Vice President/Tax Compliance Officer
Melinda M. Shelly	Secretary
H. Douglas Hall	Assistant Secretary
J. Richard Cutler	Director

All members of the Board were present, thus constituting a quorum. Consultants in attendance were: Mr. Michael Others of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; Ms. Regina D. Adams of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorneys for the District; Mr. Mark Ivy and Ms. Erika Mireles of M. Marlon Ivy & Associates, Inc. (the "Operator"), operators for the District; Messrs. Tim Hardin, P.E., and Omar Rodriguez, P.E., of Langford Engineering, Inc. ("Langford" or the "Engineer"), engineers for the District; Mr. Terry Holland of Myrtle Cruz, Inc. (the "Bookkeeper"), bookkeepers for the District; and Mr. Bill Blich of Blich & Associates, Inc., financial advisor for the District.

The President, after finding that notice of the meeting was posted and determining that a quorum of the Board was present, called the meeting to order at 5:00 p.m., and declared it open for such business as may come before the Board.

1. **Public Comment.** There were no public comments at this time.
2. **Minutes.** The Board considered approval of the regular meeting minutes of March 20, 2019. Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board approved the regular meeting minutes of March 20, 2019, as presented.
3. **Review and approve Audit Report for Fiscal Year Ended December 31, 2018 (the "Audit") and authorize submittal of Continuing Disclosure Report.** Mr. Others presented a draft of the District's Audit, a copy of which is attached hereto. Mr. Others also reviewed with the Board the Management Letter, a copy of which is also attached hereto.

Director Shelly entered the meeting at this time.

Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors voting aye, the Board approved the draft Audit.

4. **Authorize filing of District's Continuing disclosure.** The Board then discussed authorizing the filing of the District's Audit with the Texas Commission on Environmental Quality ("TCEQ"), as required by same. Ms. Adams explained that the District also has an obligation to update, on an annual basis, certain financial information contained in the District's Orders Authorizing Issuance of

Bonds associated with the District's bond issues occurring after 1995, which information will serve to keep bondholders and other interested parties apprised of the financial strength and condition of the District, and requested the Board's authorization to prepare and file such materials with the appropriate agencies, as well as the TCEQ.

Upon motion by Director Kuhl, seconded by Director Hall, after full discussion and with all Directors voting aye, the Board authorized the filing of the required continuing disclosure materials with the appropriate agencies, including the TCEQ.

5. **Annual review of Rate Order and take necessary action on same.** Director Cutler, Mr. Blich and Mr. Ivy then briefly reviewed with the Board the District's current water and sewer rates and summaries of options for revising the District's Rate Order, specifically, out-of-District water and sewer rates, copies of which are attached hereto. An extensive discussion ensued. It was the consensus of the Board to review the recommendations and further discuss the matter at the May Board meeting, and Director Haymon requested a summary outlining the rates at January 12th and January 24th the taxable values of the subject properties.

6. **Tax Assessor/Collector's Report.** On behalf of the Montgomery County Tax Assessor/Collector, Ms. Tammy McRae, the District's tax assessor/collector, Mr. Holland reviewed with the Board the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Mr. Holland reported that 96.95% of the 2018 taxes have been collected as of March 31, 2019. Upon motion by Director Shelly, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented.

Mr. Blich exited the meeting at this time.

7. **Bookkeeper's Report.** Mr. Holland presented the Bookkeeper's Report, including the Investment Report, Budget Summary, Energy Usage Report and Billing/Collection Report, copies of which are attached hereto. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, as presented.

8. **Annual review of Investment Policy, amend as necessary.** Ms. Adams then reviewed with the Board the Order Regarding Annual Review of Rules, Policies, and Code of Ethics for the Investment of District Funds and Review of Investments (the "Investment Policy"). Ms. Adams then reported that the authorized broker list, which is required pursuant to the Investment Policy, has been updated. Upon motion by Director Shelly, seconded by Director Hall, and after full discussion and with all Directors present voting aye, the Board approved the amendments to the Investment Policy broker list, a copy of which is attached hereto.

9. **Engineer's Report.** Mr. Hardin then reviewed the Engineer's Report, a copy of which is attached hereto.

Regarding the Lift Station and Force Main to serve the Park on the Lake RV Park (the "RV Park"), Mr. Hardin reported that the Board previously accepted the bid from Doughtie Construction Co., Inc. ("Doughtie"), with a total bid amount of \$441,820.50. Mr. Hardin requested Board approval and execution of the construction contract with Doughtie, subject to RBAP's review of the contract's insurance and performance and payment bonds.

Regarding the development of ClearView Estates ("ClearView") by Clearlake Asset Management, LLC, Mr. Hardin then reported that Langford is proceeding with the design of the following District improvements to serve ClearView: 1) drainage improvements (extension of 48-inch (48") storm sewer line to Lake Conroe); 2) Lift Station No. 1 improvements (wet well rehabilitation and pumps/control upgrades); and 3) water plant ("WP") improvements (booster pumps and hydropneumatic tank). Mr. Hardin stated that the plans for the drainage improvements have been approved and the project has been advertised for bids. Mr. Hardin noted that Langford is scheduled to open the bids for such drainage improvements on April 18th. Mr. Hardin went on to report that ClearView's engineer is scheduled to receive bids for the ClearView internal water, sewer, drainage and paving improvements on May 3rd.

Regarding the status of development of the French Quarter and Lake Breeze subdivisions, Mr. Hardin noted that Langford is proceeding with the design of the water, sewer, drainage and paving improvements to serve the remaining acreage owned by FQ/LB, L.P. ("FQ/LB"). Mr. Hardin then reviewed with the Board the proposed land plans for FQ/LB, copies of which are attached to the Engineer's Report.

Mr. Hardin then reported that Langford is in the process of updating the status of all the District's capital improvements and will prepare an updated long-range Capital Improvement Plan for the Board's review.

Mr. Hardin next reported that the Drought Contingency Plan ("DCP") has been revised in accordance with new requirements of the San Jacinto River Authority ("SJRA"). A discussion ensued.

Upon motion by Director Kuhl, seconded by Director Shelly, and after full discussion with all Directors present voting aye, the Board: 1) approved the Engineer's Report; 2) approved and authorized execution of the construction contract with Doughtie (\$441,820.50) in connection with the Lift Station and Force Main to serve the RV Park, subject to RBAP's review of the contract's insurance and performance and payment bonds; and 3) adopted the Resolution Adopting An Amended Drought Contingency Plan, a copy of which is attached hereto.

10. **Adopt Order Declaring Surplus Property and Authorizing Sale of Surplus Property (Lift Station No. 1 Building) (the "Order")**. Ms. Adams stated that the Board noted at the March Board meeting that the District's storage building on the Lift Station No. 1 site is no longer needed by the District. Upon motion by Director Kuhl, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board adopted the Order Declaring Surplus Property and Authorizing Private Sale of such building, a copy of which is attached hereto, and set the fair market value at \$10.00.

11. **Attorney's Report including:**

Review February 4, 2019 Arbitrage Rebate and Yield Restriction Compliance Service Program Report (the "Arbitrage Report") Ms. Adams then presented to the Board the Arbitrage Report prepared by Arbitrage Compliance Specialists, a copy of which is attached hereto. No action was required. Ms. Adams also noted she and Director Kuhl reviewed the annual post issuance compliance checklists for prior bond issues.

Review mid-session Texas Legislative Update. Ms. Adams then presented to and reviewed with the Board RBAP's mid-session Legislative Update for the 86th Legislature (2019), a copy of which is on file in the records of the District.

12. **Operations Report.** Mr. Ivy then reviewed the Operations Report, a copy of which is attached hereto. Mr. Ivy reported that the District has 531 connections and a 93.81% water accountability ratio for the period ending March 29, 2019.

Ms. Mireles then reviewed with the Board the delinquent list, a copy of which is attached to the Operations Report.

Ms. Mireles also reviewed with the Board one (1) uncollectible account totaling \$18.72 and requested authorization to write such account off, a copy of which is attached hereto.

Mr. Ivy next reported that there have been electrical issues at the French Quarter Lift Station. Mr. Ivy stated that there have been electrical surges at the Lift Station and Entergy has not yet been able to locate the problem. Mr. Ivy recommended installing variable frequency drives ("VFD") and noted the capacitors are being replaced. An extensive discussion ensued.

Ms. Adams then reported that George Harrison and Sheila Harrison, owners of property located at 10331 Cude Cemetery Road, Willis, Texas 77318, and OMG Builders, LLC, owner of property located at 10309 Cude Cemetery Road, Willis, Texas 77318 (collectively, the "Properties"), are building residences on the Properties, the lowest finished floor of which will be less than 12 inches (12") above the elevation of the nearest District sanitary sewer manhole outside of the requirements of the District Rate Order. Ms. Adams further reported that the Operator's office is coordinating with the owners of the Properties to obtain Waivers of Liability, which were prepared by her office, for the benefit of the District in accordance with the District's Rate Order in the event that there is a sanitary sewer back-up at the Properties due to the low elevations of the residences.

A discussion then ensued regarding the continued roof leak at the District's administration building. Mr. Hardin stated that he is coordinating with the Operator to determine the necessary repairs to the administration building roof.

Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board: 1) approved the Operations Report; 2) authorized termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order; 3) authorized writing off the one (1) uncollectible account totaling \$18.72; and 4) approved and authorized execution of the Waivers of Liability for the Properties.

13. **District Website Report, including approve Contract with WebLabsUSA for website hosting and updates.** The President then presented to and reviewed with the Board a proposal from WebLabsUSA, a website developer, to host and update the District's website, including making it ADA compliant amongst other things, a copy of which is attached hereto. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted unanimously to accept the proposal from WebLabsUSA.

Director Haymon presented to and reviewed with the Board a summary of the District's website usage, a copy of which is attached hereto.

14. **Adjournment.** There being no further business to come before the Board, the President adjourned the meeting.

Passed and approved this 9th day of May, 2019.



M. Shelly
Secretary, Board of Directors