

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

December 8, 2022

The Board of Directors (the "Board") of Far Hills Utility District (the "District") met in regular session, open to the public, at the District's office, 10320 Cude Cemetery Road, Willis, Texas 77318, located within the boundaries of the District, on Thursday, December 8, 2022 at 5:00 p.m., 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
David Bock	Assistant Secretary
J. Richard Cutler	Director

All members of the Board were present, thus constituting a quorum. Consultants in attendance were: Ms. Regina D. Adams, attorney, and Ms. Raechel Rodriguez, legal assistant, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorney for the District; Ms. Erika Mireles and Mr. Sergio Flores of M. Marlon Ivy & Associates, Inc. ("MMIA" or the "Operator"), operator for the District; Mr. Jacob Floyd, P.E. of Langford Engineering, Inc. ("Langford" or the "Engineer"), engineer for the District; Ms. Jennifer Vossler of McCall Gibson Swedlund Barfoot PLLC ("MGSB" or the "Auditor"), auditor for the District; and Mr. Terry Holland of Myrtle Cruz, Inc. (the "Bookkeeper"), bookkeeper for the District. Also in attendance were Mrs. Jean Haymon, Mrs. Lisa Kuhl and Mrs. Mary Bock, residents of 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 5:15 p.m., and declared it open for such business as may come before the Board.

1. **Public Comment.** There was no public comment.
2. **Minutes.** The Board considered approval of the regular meeting minutes of November 10, 2022. Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted unanimously to approve the regular meeting minutes of November 10, 2022, as presented.
3. **Confirm engagement of Auditor for fiscal year ending ("FYE") December 31, 2022.** The Board then reviewed the letter requesting confirmation of the Auditor's engagement for preparation of the FYE December 31, 2022 audit (the "2022 Audit"), a copy of which is attached hereto. Ms. Adams noted a fee range of \$21,000 to \$22,000 for preparation of the 2022 Audit. Ms. Adams noted that the fee for preparation of the FYE December 31, 2021 audit was \$21,500. Upon motion by Director Cutler, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted unanimously to confirm such engagement of MGSB.

4. **Authorize update of District capital asset values for audit preparation purposes.**

Ms. Adams explained that Langford assesses the District's asset schedule to provide MGSB with an updated valuation of same for inclusion in the 2022 Audit. Upon motion by Director Cutler, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted to authorize Langford to evaluate the District's capital asset values.

5. **Tax Assessor/Collector's Report.** On behalf of the Montgomery County (the "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 November, a copy of which is attached hereto. Mr. Holland reported that 5.76% of the 2022 taxes had been collected as of November 30, 2022. Upon motion by Director Kuhl, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board voted unanimously to accept the Tax Assessor/Collector's Report.

6. **Bookkeeper's Report.** Mr. Holland presented the Bookkeeper's Report, including the Investment Report, Budget Summary, Energy Usage Report, Billing/Collection Report and the draft FYE December 31, 2023 Budget (the "2023 Budget"), copies of which are attached hereto.

The District residents exited the meeting at this time.

In response to a question from Director Bock, Ms. Mireles explained that the "ttech" charges on the Bookkeeper's Report were the credit card processing fees that the District previously decided to absorb rather than pass on to customers.

Director Bock then inquired about the Texas Holdings Trust, LLC annexation deposit. Mr. Floyd stated he would research the matter and have Mr. Tim Hardin, P.E. with Langford follow-up with the Board.

Upon motion by Director Shelly, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted unanimously to: 1) approve the Bookkeeper's Report, as presented; 2) authorize payment of the bills reflected therein; 3) adopt the Order Adopting the 2023 Budget, a copy of which is attached hereto.

7. **Update on status of closing of the District's Unlimited Tax and Revenue Bonds, Series 2022 (the "2022 Bonds").** Ms. Adams updated the Board on the status of the closing of the District's 2022 Bonds, noting that the preliminary approval letter was received from the Office of the Texas Attorney General and the 2022 Bonds were scheduled to close on December 15, 2022.

Ms. Vossler then reviewed with the Board the Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to French Quarter & Lake Breeze Properties, LLC ("FQLBP") and Clearlake Asset Management, LLC from Proceeds of the 2022 Bonds (the "Reimbursement Audit"). A discussion ensued regarding the reimbursable amounts in the Reimbursement Audit. Ms. Adams and Mr. Floyd reviewed the prepurchase inspections process which would be completed prior to developer reimbursement. 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 Reimbursement Audit.

8. **Consider request from WGB RV Parks, LLC ("WGB") for the District's consent to assign the Out-of-District Sanitary Sewer Service Agreement (the "Service Agreement") for 12351 F.M. 830, Willis, Texas 77318 to RJourney, LLC ("RJourney").** Ms. Adams reviewed with the Board a request from WGB for the Board's consent to assign the Service Agreement to RJourney.

Ms. Mireles reported to the Board that there was a provision in the Service Agreement that requires a 2.5 percent (2.5%) increase to the monthly sewer rates on January 1st of each year, but that MMIA had not previously applied such increase since the Service Agreement was entered into. Ms. Mireles stated that MMIA would credit the District approximately \$1,500.00 for the miscalculation and would increase the sewer rates as required by the Service Agreement beginning January 1, 2023.

Upon motion by Director Shelly, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted unanimously to consent to the assignment of the Service Agreement to RJourney.

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

Regarding the status of development of the remaining acreage owned by FQLBP in the French Quarter and Lake Breeze subdivisions, Mr. Floyd presented Pay Estimate ("PE") No. 9 from C.E. Barker, LTD. ("C.E. Barker") in the amount of \$123,212.11.

Mr. Floyd noted there was no update regarding the status of the Wastewater Treatment Plan ("STP") repairs.

Mr. Floyd next reported that final design and plan production for the Far Hills and Hawthorne Ridge subdivisions water main replacement was underway and that such design and an updated opinion of project costs would be presented to the Board once available.

Mr. Floyd reminded the Board that Mr. Dru Kahlenburg of Clear Lake Assets, the developer of Clearview Estates, has sold a portion of Unrestricted Reserve F and that the new owner proposed developing the property as Clearview Lakeside – one property containing single family residential rental units which would be master metered. Mr. Floyd noted that Langford was in the process of coordinating with the Clearview Lakeside developer and reviewing plans for the subject development.

Mr. Floyd then reviewed with the Board the status of the emergency interconnect with Montgomery County Utility District No. 2 ("MCUD No. 2"). A discussion ensued regarding the Interconnect Agreement with MCUD No. 2 being in place prior to sending an invoice to MCUD No. 2 for engineering services in connection with the emergency interconnect. Further discussion ensued regarding the location of the placement of the interconnect meter in the right-of-way.

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 Engineer's Report and approve PE No. 9.

10. **Review proposed Emergency Water Interconnect Agreement with MCUD No. 2.** There was nothing further to discuss at this time.

11. **Operations Report.** Ms. Mireles reviewed the Operations Report, a copy of which is attached hereto. Ms. Mireles reported that the District had 778 connections and a 98.98% water accountability ratio for the period ending November 20, 2022.

In response to a question from Director Cutler, Ms. Mireles stated that MMIA has not invoiced Tachus, a fiber internet provider, for damages to District facilities caused by its subcontractors and that MMIA had sent invoices directly to subcontractors who had not yet paid such invoices. Ms. Adams stated that MMIA can invoice Tachus directly.

Ms. Mireles stated the water tower repairs were delayed until after the holidays due to crane rental issues.

Ms. Mireles stated there was no update on the Texas Commission on Environmental Quality enforcement action.

Ms. Adams reviewed with the Board a Notice Regarding Extreme Weather Events that was required to be sent to District customers pursuant to Title 16, Texas Administrative Code, Section 24.173(d) by January 31, 2023. Ms. Mireles stated the notice would be included in the customer bills.

A discussion ensued regarding whether the Board wanted to delay service disconnections until after the holiday season. It was the consensus of the Board to delay termination of service to delinquent accounts until after the holiday season.

Upon motion by Director Shelly, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted unanimously to: 1) approve the Operations Report; 2) authorize termination of service to delinquent accounts after the Christmas and New Year holidays and in accordance with the provisions of the District's Rate Order; and 3) authorize distribution of the Notice Regarding Extreme Weather Events to District customers.

12. **General Maintenance of District Administration Building.** Director Kuhl reported that the fence staining was completed and satisfactory

13. **General District facility landscape matters.** Director Cutler recommended removing the remaining oleanders.

14. **Attorney's Report, including:**

Review 2023 Annual Agenda. Ms. Adams presented to and reviewed with the Board a draft 2023 Annual Agenda, 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 approve the 2023 Annual Agenda.

Authorize Eminent Domain reporting compliance pursuant to Texas Government Code, §2206.151-157, as amended. Ms. Adams then reported that RBAP would file the required annual eminent domain report on behalf of the District. Ms. Adams explained that the report includes information related to annual implementation of the District's authority to exercise its power of eminent domain and must be filed before February 1st of each year.

Authorize filing of financial and tax-related information to Texas Comptroller pursuant to Texas Local Government Code, §203.062 and Texas Government Code, §403.0241 for the Special Purpose District Public Information Database ("SPDPID"). Ms. Adams then reminded the Board that the District is required to file certain financial and tax-related information on the Comptroller's SPDPID annually. Ms. Adams noted that such information must be filed by May 1, 2023.

Upon motion by Director Cutler, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board voted unanimously to: 1) authorize RBAP to file the required annual eminent domain report by February 1, 2023; and 2) authorize RBAP to file the required financial and tax-related information on the SPDPID by May 1, 2023.

15. **Adjournment.** There being no further business to come before the Board, and upon motion by Director Cutler, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board voted unanimously to adjourn the meeting at 6:31 p.m.

Passed and approved this 12th day of January, 2023.

(DISTRICT SEAL)


Secretary, Board of Directors