

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

August 10, 2023

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, August 10, 2023 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 (via teleconference) and Ms. Meredith King, attorneys, and Ms. Raechel Rodriguez (via teleconference), legal assistant, of Radcliffe Adams Barner PLLC ("RAB"), attorney for the District; Ms. Erika Mireles and Mr. Sergio Torres of M. Marlon Ivy & Associates, Inc. ("MMIA" or the "Operator"), operator for the District; Mr. Tim Hardin, P.E. of Langford Engineering, Inc. ("Langford" or the "Engineer"), engineer for the District; Mr. Terry Holland of Myrtle Cruz, Inc. (the "Bookkeeper"), bookkeeper 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 was no public comment.
2. **Minutes.** The Board considered approval of the regular meeting minutes of July 13, 2023. 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 July 13, 2023.
3. **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 July, a copy of which is attached hereto. Mr. Holland reported that 98.18% of the 2022 taxes had been collected as of June 30, 2023. Upon motion by Director Shelly, 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.

4. **Discuss District's status as a developed or developing district under Texas Tax Code.**

Ms. Adams then explained that the Board would need to determine whether the District is considered a "developing" or "developed" district for the purposes of Texas Water Code, Section 49.236. Ms. Adams explained that under the legal definition, the District appeared to be a developing district because it is still issuing debt to fund capital improvements to District facilities, in order to serve 95% of the District. Ms. Adams further noted that, if the Board determined that the District was developing, the District may adopt a tax rate in an amount that does not exceed 1.08 times the amount of tax imposed by the District in the 2023 tax year. Ms. Adams reminded the Board the District was determined to be a developing district in 2022.

Upon motion by Director Cutler, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board determined to classify the District as a developing district for tax rate calculation purposes.

5. **Discuss 2023 tax rate setting process, hear Financial Advisor's recommendation, authorize publication of proposed tax rate, and establish public hearing date regarding same.**

Mr. Blich then distributed copies of the 2023 tax rate recommendation to the Board, a copy of which is attached hereto. Mr. Blich noted that there was a 7.04% increase in the District's assessed valuation from 2022 to 2023. After some discussion with the Board, Mr. Blich recommended a proposed total ad valorem tax rate of \$0.64 per \$100 assessed valuation, comprised of \$0.32 per \$100 assessed valuation for debt service purposes and \$0.32 per \$100 assessed valuation for operation and maintenance purposes.

Upon motion by Director Bock, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board: 1) authorized the publication of the proposed 2023 tax rate of \$0.64 per \$100 assessed valuation consisting of \$0.32 per \$100 valuation for debt service purposes and \$0.32 per \$100 valuation for operation and maintenance purposes, in the *Courier of Montgomery County*; and 2) scheduled the public tax hearing to be held on September 14, 2023 at 5:00 p.m. at the District's office.

6. **Delinquent Tax Attorney's Report.** There was nothing to report 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.

An extensive discussion ensued regarding the District's Policies and Rules for Use of the District's Administration Building, specifically the clean-up fee in absence of customary and satisfactory clean-up by the user. Director Haymon noted that the District's office was cleaned bi-monthly, regardless, but that the District would send an invoice to a user should the District's office be left in unsatisfactory condition. Ms. Adams noted that, in order to do that, such user needed to complete the form attached to the policy.

Upon motion by Director Cutler, 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; and 2) authorize payment of the bills reflected therein.

8. **Discuss Emergency Water Supply Agreement with Montgomery County Utility District No. 2 ("MCUD 2") and any other matters related to same.** Director Cutler then reviewed with the Board correspondence from MCUD 2, a copy of which is attached hereto, regarding MCUD 2's discussion of the Emergency Water Supply Agreement (the "Interconnect Agreement") at its July 28, 2023 Board of Directors meeting. Director Cutler noted that MCUD 2 wanted the interconnect meter placed in the right-of-way of Farm to Market Road 830. An extensive discussion ensued regarding the terms of the Interconnect Agreement and placement options for the water meter. Director Cutler reviewed with the Board MCUD 2's motion approving MCUD 2's costs for construction of the interconnect in an amount not to exceed \$1 million. A discussion ensued regarding such motion. Further discussion ensued regarding the Engineer's probable cost estimate previously presented to the Board. Ms. Adams recommended including language in the Interconnect Agreement to specify that the District would consider resolution of future issues at the time such issues arise as the District should not promise indefinitely to split all costs evenly if there are issues on MCUD 2's side of the meter. Director Cutler stated he would discuss the proposed changes to the Interconnect Agreement with MCUD 2.

Mr. Blitch exited the meeting at this time.

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

Mr. Hardin presented to the Board Pay Estimate ("PE") No. 1 in the amount of \$163,844.10 from MetroCity, LLC ("MetroCity") for the 2022 Water Main Rehab and Replacement Project which reflected work done through July 31, 2023.

Mr. Hardin reported that Langford received an Application for Service/Annexation from Haven Development Group, LLC ("HDG") and LevelTX Corporation ("LevelTX") with regard to annexation and development of the Walker Tract. Mr. Hardin noted that should the Board accept such application, then Langford would commence with the requisite feasibility study.

Mr. Hardin also noted that the payment included with the application was originally sent to the Operator who sent it to the Bookkeeper, however, such payment was lost in transit.

Upon motion by Director Shelly, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted unanimously to accept the Application for Service/Annexation from HDG and LevelTX and authorize Langford to prepare the feasibility study for same pending receipt of the deposit payment.

Regarding the Water Plant Chlorine Building Modifications (the "WP Chlorine Building Project"), Mr. Hardin reminded the Board that Langford previously furnished alternate locations for the chemical/disinfection system and the preliminary costs estimate for the WP Chlorine Building Project. Mr. Hardin noted there was no further update.

Mr. Hardin reported that the design phase for the Wastewater Treatment Plant ("STP") Rehab and Improvements Project (the "STP Rehab Project") was underway. Mr. Hardin noted that Langford would provide a project schedule, preliminary design documents and an opinion of probable project costs for the STP Rehab Project once available.

Mr. Hardin then reported that the 2022 Water Main Rehab and Replacement Project construction was underway, and the contractor has installed approximately 2,500 feet (2,500") of new water main, primarily along Hawthorn Drive. Mr. Hardin reminded the Board that the contractor's schedule indicated that water line installation would continue through August and mid-September. Mr. Hardin noted that all service reconnections would begin as the line segments were completed, tested and connected to the system.

Upon motion by Director Cutler, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted unanimously to approve: 1) the Engineer's Report; and 2) PE No. 1 in the amount of \$163,844.10 from MetroCity the 2022 Water Main Rehab and Replacement Project.

10. **Operations Report.** Ms. Mireles reviewed the Operations Report, a copy of which is attached hereto. Ms. Mireles reported that the District had 809 connections and a 99.91% water accountability ratio for the period ending July 20, 2023.

Ms. Mireles reported that construction of the fence around Lift Station No. 11 was completed.

Ms. Mireles reminded the Board that the District received the revised Consent Order from Lone Star Groundwater Conservation District ("LSGCD") related to exceeding the water well permitted pumpage. A copy of the Consent Order 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: 1) approve the Operations Report; 2) authorize termination of service to delinquent accounts in accordance with the provisions of the District's Rate Order; and 3) authorize MMIA to execute the Consent Order on behalf of the District.

11. **General Maintenance of District Administration Building.** Director Kuhl reminded the Board that the air conditioner ("A/C") was repaired and that its motherboard was replaced, and that the stains on the ceiling of the District Administration Building were a result of condensation from the A/C. A discussion ensued regarding possible solutions to repair the ceiling. After discussion, the Board decided to table this matter.

12. **District facility landscape matters.** There was nothing to report.


13. **Attorney's Report, including review Memorandum on 88th Legislative Session.** Ms. Adams presented to and reviewed with the Board the 88th Legislative Session Update prepared by RAB and responded to questions from the Board regarding same.

Ms. Adams reported that the day before the Board meeting, RAB received a proposed Agreed Order from the Texas Commission on Environmental Quality regarding settlement of the enforcement against the District. Ms. Adams noted that this matter would be on the September 14, 2023 agenda for the Board's consideration.

14. **Adjournment.** There being no further business to come before the Board, and upon motion by Director Bock, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted unanimously to adjourn the meeting at 7:07 p.m.

Passed and approved this 14th day of September, 2023.




Secretary Board of Directors