

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

August 8, 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, Willis, Texas 77318, located within the boundaries of the District, on Thursday, August 8, 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, except Director Cutler, thus constituting a quorum. Consultants in attendance were: Ms. Regina D. Adams of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorney for the District; Mr. Mark Ivy and Ms. Erika Mireles of M. Marlon Ivy & Associates, Inc. (the "Operator"), operator for the District; Messrs. Tim Hardin, P.E., and Omar Rodriguez, 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. Also in attendance were Messrs. Michael Bell and Charles E. Simmons of WGB RV Park on the Lake, LLC, ("WGB") developers of Park on the Lake RV Park (the "RV Park"); and Mr. Harry Hamilton, a District resident.

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 July 11, 2019. Upon motion by Director Hall, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board approved the regular meeting minutes of July 11, 2019, as presented.
3. **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 July, a copy of which is attached hereto. Mr. Holland reported that 99.44% of the 2018 taxes have been collected as of July 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.

Discuss proposed 2019 tax rate, hear Financial Advisor's recommendation, authorize publication of effective tax rate calculation, and establish public hearing date regarding 2019 tax rate. Mr. Blich then distributed copies of the 2019 tax rate recommendation to the Board, a copy of which is attached hereto. Mr. Blich noted that there was a 3.79% increase in the District's assessed valuation from 2018 to 2019. Mr. Blich then recommended a proposed total ad valorem tax rate of \$0.674 per \$100 assessed valuation, comprised of \$0.357 per \$100 assessed valuation for debt service purposes and \$0.317 per \$100 assessed valuation for operation and maintenance purposes. After extensive discussion, the Board reviewed the process of publishing the net effective tax rate calculation and conducting a public tax hearing regarding same. Upon motion by Director Shelly, seconded by Director Hall, and with all Directors present voting aye, the Board authorized the publication of the proposed net effective tax rate calculation of \$0.674 per \$100 assessed valuation in the *Conroe Courier* and scheduled the public tax hearing to be held at the September 12th Board meeting.

Mr. Ivy entered the meeting at this time.

4. **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. Mr. Holland noted that BBVA Compass Bank recently changed its name to BBVA Bank. Upon motion by Director Hall, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, as presented.

5. **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 RV Park, Mr. Hardin reported that the Board previously awarded the construction contract to Doughtie Construction Co., Inc. ("Doughtie"), for a total amount of \$441,820.50. Mr. Hardin stated that construction of the RV Park Lift Station and Force Main project is underway and is scheduled for completion on October 14, 2019. Mr. Hardin noted that the contractor is continuing with force main piping installation and has installed the lift station wet well. Mr. Hardin then reported that Doughtie submitted Pay Estimate No. 2 in the amount of \$120,042.76, a copy of which is attached to the Engineer's Report. Mr. Hardin explained that the pay estimate represents work completed through July 31, 2019. Mr. Hardin stated that the total work completed to-date is \$193,547.60 and the contract amount remains unchanged at \$441,820.50. Mr. Hardin then reported that Doughtie submitted Change Order No. 1 in the amount of \$3,000.00, a copy of which is attached to the Engineer's Report. Mr. Hardin stated that this change order represents an increase related to a bid amount correction. Mr. Hardin stated that the Engineer recommends approval of Change Order No. 1.

Messrs. Bell and Simmons exited the meeting at this time.

Regarding the drainage improvement project to benefit the development of ClearView Estates subdivision ("ClearView"), Mr. Hardin reported that the Board previously awarded the construction contract to Excel Construction, Inc. ("Excel") for a total amount of \$268,748.88. Mr. Hardin stated that construction is underway and Excel is in the process of installing new manholes and 48" storm sewer pipe. Mr. Hardin added that construction on the project is scheduled to be completed on October 8, 2019. Mr. Hardin then reported that Excel submitted Pay Estimate No. 1 in the amount of \$23,202.97 and includes 10% retainage in the amount of \$2,000.00, a copy of which is attached to the Engineer's Report. Mr. Hardin explained that the pay estimate represents work completed through

July 31, 2019. Mr. Hardin stated that the total work completed to-date is \$25,781.08 and the contract amount remains unchanged at \$268,748.88.

Mr. Hardin then reported that the construction contract between Clearlake Assets, developer of ClearView, and Solid Bridge Construction, Inc. ("Solid Bridge") for the construction of the water, sewer, drainage and paving to serve ClearView was previously approved. Mr. Hardin stated that construction is underway and Solid Bridge has completed installation of the sanitary sewers and begun testing of same. Mr. Hardin added that construction on the project is scheduled to be completed within 60 to 90 days. Mr. Hardin then reported that Solid Bridge submitted Pay Estimate No. 1 in the amount of \$164,936.70 and Pay Estimate No. 2 in the amount of \$291,485.70, copies of which are attached. Mr. Hardin stated that such pay estimates represent work completed through July 8th and July 29th, respectively. Mr. Hardin then reported that Solid Bridge submitted Change Order No. 1 in the deductive amount of \$1,251,380, a copy of which is attached to the Engineer's Report. Mr. Hardin stated that this change order represents the deletion of all paving improvements. Mr. Hardin stated that the Engineer recommends concurring with Clearlake Assets' payment of Pay Estimate Nos. 1 and 2 and approval of Change Order No. 1.

Mr. Hardin reported that Langford received four (4) bids on August 2, 2019 for the water plant ("WP") Improvement (booster pumps and hydropneumatic tank) Project to benefit ClearView. Mr. Hardin then presented to and reviewed with the Board the bid tabulation, a copy of which is attached to the Engineer's Report. Mr. Hardin stated that Langford is recommending award of the WP Improvement project to B-5 Construction Co., Inc. ("B-5") in the base bid amount of \$329,858, a copy of the Engineer's Recommendation for Award is attached to the Engineer's Report.

Director Kuhl exited the meeting at this time.

Regarding the status of development of the remaining acreage owned by FQ/LB, L.P. ("FQ/LB") in French Quarter and Lake Breeze subdivisions, Mr. Hardin reported that Langford received 12 bids on July 31, 2019 for the water, sewer and drainage improvements to serve Lake Breeze, Section 3. Mr. Hardin then presented to and reviewed with the Board the bid tabulation, a copy of which is attached to the Engineer's Report. Mr. Hardin stated that Langford is recommending award of the water, sewer and drainage improvement project to serve Lake Breeze, Section 3 to AR Turnkey Construction Co., Inc. ("AR Turnkey") in the base bid amount of \$394,451, a copy of the Engineer's Recommendation for Award is attached to the Engineer's Report.

Mr. Blich exited the meeting at this time.

Mr. Hardin then reminded the Board that he previously presented to and reviewed with the Board a proposal from Source Point Solutions ("Source Point") in the amount of \$18,466.50 for sanitary sewer line smoke testing and manhole inspections of the existing sections of the French Quarter and Lake Breeze subdivisions. Mr. Hardin reported that Source Point is scheduled to complete the smoke testing and manhole inspections the week of August 12th.

Mr. Hardin then reminded the Board that Langford previously updated the District's long-range Capital Improvement Plan (the "CIP") and the Board adopted the CIP at the July 11, 2019 meeting.

Mr. Hardin then reminded the Board that the Texas Commission on Environmental Quality (the "TCEQ") conducted a WP inspection on May 8th and requested a number of documents related to Water Well ("WW") completion data for WW Nos. 2 and 4. Mr. Hardin reported that WW completion data (including initial bacteriological and water quality sample test results) for WW Nos.

2 and 4 are not available. Mr. Hardin went on to state that Langford reviewed video of WW No. 2 and there are no apparent screens available for water production and the well appears to have failed at a depth of approximately 396 feet (396') and has filled in up to a depth of 415 feet (415'). Mr. Hardin added that the total depth of WW No. 2 is reported to be 645 feet (645') by the Texas Water Development Board Groundwater Database. Mr. Hardin stated that Langford is recommending that the District abandon WW No. 2 at an estimated cost of approximately \$35,000, which includes plugging the well, decommissioning and abandoning the well equipment and electrical and reporting same to the TCEQ. Mr. Ivy then presented to and reviewed with the Board a proposal from C&C Water Services LLC ("C&C") to plug and abandon WW No. 2 (including decommissioning any electrical conduit) for a cost of \$23,474, a copy of which is attached hereto.

Regarding the Lift Station No. 1 Improvement Project, Mr. Hardin reported that the project design and approvals are complete, Langford has advertised the project for bids and anticipates presenting bids at the next Board meeting.

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) authorized payment of Pay Estimate No. 2 and Change Order No. 1 from Doughtie in connection with the Lift Station and Force Main project to serve the RV Park; 3) authorize payment of Pay Estimate No. 1 from Excel in connection with the drainage improvement project benefiting ClearViewto; 4) approve Change Order No. 1 and authorize payment of Pay Estimate Nos. 1 and 2 from Solid Bridge in connection with the water, sewer, drainage and paving to benefit ClearView; 5) accepted the bid from B-5 Construction in the base bid amount of \$329,858 for the WP Improvement Project to serve ClearView; 6) accepted the bid from AR Turnkee in the base bid amount of \$394,451 for the water, sewer and drainage improvement project to serve Lake Breeze, Section 3; and 7) authorized proceeding with plugging and abandoning WW No. 2 and accepted the proposal from C&C related to same.

6. **Attorney's Report, Review Update on 86th Texas Legislature.** Ms. Adams then presented to and reviewed with the Board key bills from RBAP's Legislative Summary of the 86th Legislative Session (2019).

7. **Operations Report.** Mr. Ivy then reviewed the Operations Report, a copy of which is attached hereto. Mr. Ivy reported that the District has 533 connections and a 95.47% water accountability ratio for the period ending July 19, 2019.

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

Mr. Ivy next reported that the Operator broke two (2) gas lines while performing service line work because, even though line marking had occurred, such lines were missed.

A discussion then ensued regarding various water line breaks and the necessity for the District to replace the water line in the older subdivisions within the District.

Mr. Ivy noted that OMG Builders, LLC has requested water and sanitary sewer service from the District for another house it is constructing. Mr. Ivy reported that the Operator is attempting to locate a nearby District water line to provide service to such house.

Upon motion by Director Shelly, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board: 1) approved the Operations Report; and 2) authorized

termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order.

8. **District Website Report.** Director Haymon reported that he continues to coordinate with Ms. Shannon Waugh of Off Cinco, the District's website developer, regarding the transition to the new District website, which is set to go live soon. Director Haymon added that he has requested Ms. Waugh also create an email address for each member Director.

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

Passed and approved this 12th day of September, 2019.



M. Shelly
Secretary, Board of Directors