

FAR HILLS UTILITY DISTRICT

MINUTES OF BOARD OF DIRECTORS MEETING

December 12, 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, December 12, 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: 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; 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 advisors 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 November 14, 2019. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted to approve the regular meeting minutes of November 14, 2019, as presented.
3. **Confirm Engagement of Auditor for Fiscal Year Ending ("FYE") December 31, 2019.** The Board then reviewed confirmation of the Auditor's, McCall Gibson Swedlund Barfoot PLLC ("McCall") engagement for preparation of the FYE December 31, 2019 audit (the "Audit"), a copy of which is attached hereto. Ms. Adams noted that the Board previously engaged McCall to prepare future years' audits. Ms. Adams presented to the Board the confirmation letter and noted a fee range of \$20,000 to \$21,000 for preparation of the Audit. Ms. Adams noted that the fee for preparation of the FYE December 31, 2018 audit was \$20,850. Upon motion by Director Kuhl, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board voted to confirm the engagement of McCall.
4. **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 November, a copy of which is attached hereto. Mr. Holland reported that 8.52% of the 2019 taxes have been collected as of

November 31, 2019. Upon motion by Director Cutler, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board voted to approve the Tax Assessor/Collector's Report, as presented.

5. **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 Hall, seconded by Director Kuhl after full discussion and with all Directors present voting aye, the Board voted to approve the Bookkeeper's Report, as presented.

An extensive discussion ensued regarding current and future billings for out-of-District sanitary sewer service to be provided by the District to the Park on the Lake RV Park (the "RV Park") as well as the RV Park's pro-rata share of the related operations and maintenance costs and the contractual requirements for same.

Mr. Ivy requested that an item be placed on the January agenda to consider an amendment to the Operator's contract.

Mr. Blich then presented to and reviewed with the Board information from the Municipal Securities Rulemaking Board ("MSRB") in connection with MSRB Rule G-10, a copy of which is attached hereto. Mr. Blich stated that the MSRB Rule G-10 requires the District's Financial Advisor to annually provide, in writing, the following items of information: (1) a statement that the Financial Advisor registered with the U.S. Securities and Exchange Commission and the MSRB; (2) the website address for the MSRB; and (3) a statement as to the availability to the customer of an investor brochure that is posted on the website of the MSRB that describes the protections that may be provided by the MSRB rules and how to file a complaint with an appropriate regulatory authority.

6. **Adopt Order Adopting Budget for FYE December 31, 2020.** Mr. Holland then reviewed the proposed budget for FYE December 31, 2020 (the "Budget"). The Board reviewed various expense line items within the Budget. Upon motion by Director Hall, seconded by Director Kuhl, and after full discussion and with all Directors present voting aye, the Board voted to adopt the Order Adopting the Budget, a copy of which is attached hereto.

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

Mr. Hardin next reported that Langford was contacted on November 25th by a real estate agent representing the sellers of the Walker property. Mr. Hardin stated that his office provided the real estate agent with the District's Application for Service, but has not received any further communication regarding such property.

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 \$444,820.50. Mr. Hardin stated that construction on the RV Park Lift Station and Force Main project is complete and the equipment start-ups and final inspection have been completed. Mr. Hardin noted that the contractor has been advised of minor deficiencies required to complete the project. Mr. Hardin stated that Langford expects to present the final pay estimate and related completion certificates at the January Board meeting. Mr. Hardin added that no progress has occurred in connection with the RV Park's connection of the gravity sewer to the District's collection system.

A discussion ensued regarding a request received by Ms. Adams from the RV Park's attorney for the RV Park's deposit refund to be returned to the proper member of the RV Park.

Mr. Hardin reported that the Board previously awarded the construction contract for the water plant ("WP") Improvement (booster pumps and hydropneumatic tank ("HPT")) project to serve ClearView to B-5 Construction Co., Inc. ("B-5") in the base bid amount of \$329,858. Mr. Hardin stated that the project is underway with completion scheduled for June 4, 2020. Mr. Hardin added that Langford is reviewing project submittals.

Mr. Hardin then reported that the construction contract between Clearlake Assets ("Clearlake"), 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 is substantially complete with the construction of the water, sewer and drainage facilities. Mr. Hardin went on to report that construction of the Lift Station is on-going.

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 the Board previously accepted the bid from AR Turnkey Construction Co., Inc. ("AR Turnkey") in the base bid amount of \$394,451 for the water, sewer and drainage improvement project to serve Lake Breeze, Section 3. Mr. Hardin stated that construction is complete and the paving contractor has mobilized. Mr. Hardin went on to report that FQ/LB plans to proceed with finalizing the engineering and construction of improvements in French Quarter, Section 4 once the lots have sold in Lake Breeze, Section 3.

Regarding the Lift Station No. 1 Improvement project, Mr. Hardin reported that Langford has provided the revised estimated costs for the project to the District's financial advisor for consideration and recommendation. An extensive discussion ensued regarding improving Lift Station No. 1 versus construction of a new Lift Station. Mr. Blich then presented the financial analysis in connection with same, a copy of which is attached hereto. Further discussion ensued. It was the consensus of the Board that Clearlake would pre-fund approximately 50% of the project costs for construction of a new Lift Station. Upon motion by Director Hall, seconded by Director Cutler, and after full discussion with all Directors present voting aye, the Board authorized Langford to proceed with advertising for bids for construction of a new Lift Station.

Mr. Blich exited the meeting at this time.

Mr. Hardin then reminded the Board that Langford is awaiting a response from the Texas Commission on Environmental Quality ("TCEQ") regarding its review of correspondence related to the abandonment of Water Well ("WW") No. 2 and the request for certain exceptions to the WW No. 4 completion data. Mr. Hardin stated that TCEQ has indicated that it expects to issue a temporary grant of the exception and expects to provide documents to the same effect by December 13th.

Upon motion by Director Kuhl, seconded by Director Hall, and after full discussion with all Directors present voting aye, the Board voted to approve the Engineer's Report.

8. **Adopt Order Declaring Surplus Property and Authorizing Sale of Surplus Property (Generators, Trailers and Other Equipment) (the "Order")**. After considerable discussion regarding the potential method of sale, this matter was tabled until the January Board meeting. The

Board concurred that individual Directors could show the generators/trailers to prospective purchasers/bidders.

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

Authorize Director Attendance at the Tax Compliance Officer Training Seminar.

Ms. Adams reported that RBAP, in conjunction with Arbitrage Compliance Specialists, Inc., will be conducting a training/seminar for Tax Compliance Officers on Saturday, February 8, 2020 at 9:00 a.m. at the Hyatt Regency Intercontinental Airport. Ms. Adams reminded the Board that the District's Tax Compliance Officer is Director Kuhl. Ms. Adams noted that such seminar is free for the District's Tax Compliance Officer and \$75 for each additional Director. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Directors' attendance to the Post-Issuance Tax Compliance Officer Training.

Authorize Eminent Domain Reporting Pursuant to Texas Government Code, Sections 2206.151-157, as amended.

Ms. Adams then reported that RBAP will file the required annual eminent domain report on behalf of the District. Ms. Adams explained that the report includes information related to the District's authority to exercise its power of eminent domain and must be filed before February 1st of each year. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and the question being put to the Board, the Board voted unanimously to authorize RBAP to file the required annual eminent domain report.

Authorize filing of financial and tax-related information with Texas Comptroller (the "Comptroller") pursuant to Texas Local Government Code, Sections 203.062 and 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 with the Comptroller's SPDPID annually. Ms. Adams noted that such information must be filed by May 1, 2020. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted to authorize RBAP to file the required financial and tax-related information on the SPDPID by May 1, 2020.

Review 2020 Annual Agenda. Ms. Adams then distributed a draft 2020 Annual Agenda for the Board's review, a copy of which is attached hereto. A discussion ensued regarding Senate Bill 2 (86th Texas Legislature) and the effects of same on setting the District's 2020 tax rate and required website postings.

10. **Operations Report.** Ms. Mireles reviewed the Operations Report, a copy of which is attached hereto. Ms. Mireles reported that the District has 534 connections and a 94.5% water accountability ratio for the period ending November 21, 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 a District customer, Mrs. Donald Koch, has requested an adjustment to recent water bills due to extremely high irrigation usage. A discussion ensued. Mr. Ivy noted that the customer has not yet repaired her irrigation system per the requirements of the District's Rate Order. It was the consensus of the Board to waive the requirement that the customer repair the irrigation system before any adjustment is made to her recent water bill but to lock the meter and put the account in vacation mode.

Mr. Ivy then presented to and reviewed with the Board proposals from Texas Diesel Maintenance, Inc. ("Texas Diesel") and WorldWide Power Products in connection with the purchase of a permanent Generator for Lift Station No. 1 and the purchase of two (2) portable generators for the District's Lift Stations, copies of which are attached hereto. A discussion ensued.

Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board voted to: 1) approve the Operations Report; 2) authorize termination of service to the current delinquent accounts in accordance with the provisions of the District's Rate Order; and 3) authorize pulling the water meter at Lot 23, issuing a credit in the amount of \$2,926.26 and billing such customer for the base water rate and pumpage fees for the billing period in question.

Upon motion by Director Hall, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted to authorize the purchase of one (1) permanent generator for Lift Station No. 1 in the amount of \$41,200 from Texas Diesel.

Mr. Hardin then reported that Clearlake recently requested that the District reconsider its builder deposits and fees for sanitary sewer tap connections. Mr. Hardin stated that the home builders in ClearView are essentially paying for sanitary sewer connections for new homes twice: once when they construct the tap and then again by the District who is not installing said tap. An extensive discussion ensued regarding the tap application format and Rate Order requirements. It was the consensus of the Board to consider amending the District's Rate Order at the January Board meeting.

11. **Review and accept proposal for shredding services.** Director Kuhl presented to and reviewed with the Board a proposal from 'Shred It' for the shredding of non-permanent District records and documents. Director Kuhl stated that the minimum order is \$200 and it will cost \$7.13 for each box of documents to be shredded. A discussion ensued regarding the District's record retention schedule and proper disposal of appropriate documents. Upon motion by Director Cutler, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted unanimously to accept the proposal from Shred It and authorize the Operator to review all the District's records housed at the District's administrative office to determine appropriate records to be shredded.

12. **District Website Report.** Director Haymon presented to and reviewed with the Board the website report for the month of November, a copy of which is attached hereto.

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

Passed and approved this 9th day of January, 2020.

(DISTRICT SEAL)




Secretary, Board of Directors