

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

January 9, 2020

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, January 9, 2020, 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 Hall, 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; Mr. Bill Blich of Blich Associates, Inc., financial advisors for the District; Mr. Troy Shelly, District resident; and Mr. Richard B. Mehaffy, guest.

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. **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 Cutler after full discussion and with all Directors present voting aye, the Board voted to approve the Bookkeeper's Report, as presented.

Director Shelly entered the meeting at this time.

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 December, a copy of which is attached hereto. Mr. Holland reported that 61.41% of the 2019 taxes have been collected as of December 31, 2019. Upon motion by Director Cutler, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted to approve the Tax Assessor/Collector's Report, as presented.

4. **Financial Advisor's Report, including review potential refunding of outstanding Series 2012 Bonds and adopt any necessary resolutions regarding same and authorize any necessary actions on same.** Mr. Blich reported that the municipal bond market is still favorable for issuing refunding bonds to refund approximately \$2,155,000 of outstanding Series 2012 Bonds. Mr. Blich noted that by refunding such bonds, the District would realize a present savings of approximately \$80,000 (based on then-current interest rates).

5. **Minutes.** The Board considered approval of the regular meeting minutes of December 12, 2019. Upon motion by Director Shelly, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board voted to approve the regular meeting minutes of December 12, 2019, as presented.

6. **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 \$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 a final pay estimate and certificate of completion will be presented to the Board once the contractor has provided the appropriate lien releases from their materials suppliers. Mr. Hardin added that no progress has occurred in connection with the RV Park's connection of the gravity sewer to the District's sanitary sewer collection system.

Mr. Hardin reported that the Board previously awarded the construction contract for the water plant Improvement (booster pumps and hydropneumatic tank) project to serve ClearView to B-5 Construction Co., Inc. 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 added that the project engineer has furnished Langford with a Certificate of Substantial Completion, a copy of which is attached to the Engineer's Report. Mr. Hardin went on to report that the contractor has been made aware of the minor deficiencies that were identified at the recent facility inspection. Mr. Hardin reported that construction of the Lift Station is complete, but the Lift Station is not yet operational. Mr. Hardin stated that Clearlake is aware that any pumping necessary to evacuate the District's sanitary sewer collection system as a result of active connections will be at Clearlake's expense. Mr. Hardin also stated that record drawings have been furnished to Langford and the Operator. Mr. Hardin then reviewed with the Board Clearlake's Pay Estimate Nos. 4 and 5 in the amounts of \$54,089.26 and \$110,822.31, respectively, for approval.

Mr. Hardin stated that Entergy recently notified the District that it is in the process of installing smart electric meters at the District's facilities.

Mr. Holland 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 the Board previously accepted the bid from AR Turnkey Construction Co., Inc. 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 construction is underway. Mr. Hardin noted that the roads have been graded and sub-grade prepared and the steel/concrete for the paving surface is expected to commence on January 13th. 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 is proceeding with the re-design of Lift Station No. 1 including replacement of the lift station. Mr. Hardin noted that project bidding is anticipated within 60 to 90 days. Mr. Hardin then explained that, prior to construction, Langford will solicit a revised proposal for construction materials testing based on the updated scope of work.

Mr. Hardin next reported that Langford received approval (dated December 16, 2019) from the Texas Commission on Environmental Quality ("TCEQ") in connection with the District's abandonment of Water Well ("WW") No. 2 and the request for certain exceptions to the WW No. 4 completion data.

A discussion ensued regarding the possibility of the wholesale sale of water by the District to other water districts. Director Haymon stated that the San Jacinto River Authority informed him that the District can allow another water district to purchase Catahoula aquifer water from the District on a wholesale basis.

Upon motion by Director Kuhl, seconded by Director Shelly, and after full discussion with all Directors present voting aye, the Board voted to approve the Engineer's Report and concur with Clearlake's payment of Pay Estimate Nos. 4 and 5 in the amounts of \$54,089.26 and \$110,822.31, respectively, in connection with the construction of the water, sewer, drainage and paving facilities to serve ClearView.

7. **Adopt Order Declaring Surplus Property and Authorizing Sale of Surplus Property (Generators, Trailers and Other Equipment) (the "Order")**. Ms. Adams stated that the Board had previously discussed the method of the sale of the District's three (3) mobile generators and trailers ("Surplus Property") and had agreed at the December Board meeting that individual Directors could show the Surplus Property to prospective purchasers/bidders. Director Kuhl reported that he has spoken with a few interested parties. After extensive discussion, a motion was made by Director Kuhl and seconded by Director Shelly to adopt the Order and to set the value of the Surplus Property at \$300 for each mobile generator/trailer. Directors Kuhl and Shelly voted in favor and Directors Haymon and Cutler voted in opposition, therefore the motion failed for lack of a majority vote. Further discussion ensued. A motion was made by Director Cutler and seconded by Director Haymon to adopt the Order and to declare the Surplus Property as valueless. Directors Haymon and Cutler voted in favor and Directors Kuhl and Shelly voted in opposition, therefore the motion failed for lack of a majority vote.

8. **Attorney's Report**. Ms. Adams stated that she has nothing to report at this time.

9. **Operations Report**. Mr. Ivy reviewed the Operations Report, a copy of which is attached hereto. Mr. Ivy reported that the District has 534 connections and a 94.72% water accountability ratio for the period ending December 19, 2019.

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

A discussion ensued regarding the new billing structure for out-of-District water and sanitary sewer rates.

Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted to: 1) approve the Operations Report; and 2) authorize termination of service to the current delinquent accounts in accordance with the provisions of the District's Rate Order.

10. **Adopt Amended Rate Order.** Ms. Adams next reported that the Board previously discussed amending the District's Rate Order in connection with builder deposits and fees for sanitary sewer tap connections. Mr. Hardin reminded the Board that under the current rates, the production home builders would essentially pay for sanitary sewer connections for new homes twice: once when they install the tap and then again by the District who is not installing said tap. An extensive discussion ensued regarding the proposed revisions to the District's Rate Order, the tap application format and Rate Order requirements. Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted to adopt the Order Amending the District's Rate Order, as discussed, to be effective February 1, 2020. A copy of the Amended Rate Order is attached hereto.

11. **Review and approve Second Amendment to the Professional Services Contract with M. Marlon Ivy & Associates, Inc. (the "Amended Operations Contract").** Mr. Ivy then presented the amended Attachments to the Amended Operations Contract. Mr. Ivy explained that due to the change-in amount of the District's facilities, certain rates charged by the Operator, additional services to be provided by the Operator and certain holidays recognized by the Operator, the Operator has had to revise the referenced Attachments "A" through "E" of the Amended Operations Contract, copies of which are attached hereto. Upon motion by Director Kuhl, seconded by Director Cutler, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Amended Operations Contract, subject to the Attorney's review and receipt of a completed Form 1295 from the Operator. An executed copy of the Amended Operations Contract is attached hereto.

Messrs. Shelly and Mehaffy entered the meeting at this time.

12. **Review and discuss Emergency Response Plan (the "ERP") pursuant to the requirements of the Texas Administrative Code.** It was the consensus of the Board to table this item until the February Board meeting.

13. **Annual Review of Director Fees of Office and Expense Reimbursement Policy (the "Reimbursement Policy").** The Board then reviewed the Reimbursement Policy, a copy of which is attached hereto. Ms. Adams stated that she is not recommending any changes to the District's Reimbursement Policy at this time.

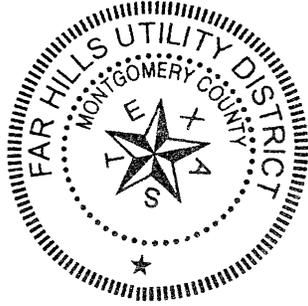
14. **Annual Review of District's Post-Issuance Tax-Exempt Debt Compliance Policies.** Ms. Adams stated that she is not recommending any changes to the District's Post-Issuance Tax-Exempt Debt Compliance Policies at this time.

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

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

Passed and approved this 13th day of February, 2020.

(DISTRICT SEAL)



M. Shell

Secretary, Board of Directors