

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

February 13, 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, February 13, 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, 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 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 January 9, 2020. Upon motion by Director Shelly, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board voted to approve the regular meeting minutes of January 9, 2020, as presented.
3. **Financial Advisor's Report, including review potential refunding of outstanding Series 2012 Bonds.** Mr. Blich reported that the municipal bond market is still favorable for issuing refunding bonds to refund the outstanding Series 2012 Bonds.
4. **Adopt Order Approving and Authorizing Distribution of Preliminary Official Statement ("POS") for the District's Unlimited Tax and Revenue Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") and Adopt Resolution Authorizing District's Series 2020 Refunding Bonds, including appointment of Pricing Committee to effectuate the sale of the Series 2020 Refunding Bonds, if necessary.** Mr. Blich reviewed with the Board the draft POS in connection with the proposed Series 2020 Refunding Bonds, a copy of which is attached hereto.

Mr. Blich then advised the Board that SAMCO Capital Markets, Inc., will serve as the underwriter for the Series 2020 Refunding Bonds. Mr. Blich stated he anticipates that pricing will occur at the end of the month and close on or around April 1st. Mr. Blich then asked the Board to

establish parameters for the level of savings it would like to achieve with the refunding to proceed with the sale of the Series 2020 Refunding Bonds and select a pricing committee. It was the consensus of the Board that the District must realize a minimum net present value savings of three percent (3%) to proceed with the Series 2020 Refunding Bonds. Ms. Adams explained that the Order Approving and Authorizing Distribution of the POS for the District's Series 2020 Refunding Bonds (the "Order") and the Resolution Authorizing District's Series 2020 Refunding Bonds, including appointment of Pricing Committee to Effectuate the Sale (the "Resolution"), authorizes Mr. Blicht to finalize and distribute the POS and proceed with the issuance of the Series 2020 Refunding Bonds if the three percent (3%) minimum net present savings parameter established by the Board is met.

Ms. Adams then explained that a Pricing Committee must be named to effectuate the sale of the Series 2020 Refunding Bonds as soon as the bond market conditions meet the three percent (3%) minimum net savings parameter established by the Board. The Board concurred that Directors Haymon and Kuhl should be appointed to the Pricing Committee, with any of the other three (3) Directors being able to serve as an alternate Pricing Committee member.

Upon motion by Director Cutler, seconded by Director Shelly, after full discussion and the question being put to the Board, the Board voted unanimously to approve the POS; adopt the Order and Resolution, copies of which are attached hereto; set the sale parameters at a minimum net present value savings of three percent (3%); and appoint Directors Haymon and Kuhl as the Pricing Committee, with any one of the remaining three (3) Directors serving as alternate Pricing Committee members.

5. **Approve and authorize execution of Paying Agent/Registrar Agreement with UMB Bank, NA ("UMB BANK").** It was then explained that UMB Bank will serve as the Paying Agent/Registrar for the Series 2020 Refunding Bonds. 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 Paying Agent/Registrar Agreement with the UMB Bank.

6. **Approve and authorize execution of Letters and Notice of Redemption to BOKF, NA for the District's Series 2012 Bonds.** Ms. Adams went on to explain that the Paying Agent from the Series 2012 Bonds must provide notice of redemption to the bondholders of the outstanding maturities of the Series 2012 Bonds being refunded at least 30 days prior to the defeasance. Ms. Adams then presented the Notice of Redemption to BOKF, NA for the Board's approval and execution, a copy of which is 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 Letters and Notices of Redemption to BOKF, NA for the District's Series 2012 Bonds.

7. **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 January, a copy of which is attached hereto. Mr. Holland reported that 90.18% of the 2019 taxes have been collected as of January 31, 2020. 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 Tax Assessor/Collector's Report, as presented.

8. **Adopt Order Determining Ad Valorem Tax Exemptions.** The Board next considered approval of tax exemptions for the 2020 tax year, including homestead exemptions for residents 65

years of age and older, and disabled residents. Ms. Adams reported that, in 2019, the Board granted a homestead exemption of \$30,000 for disabled persons or persons 65 years of age or older. Upon motion by Director Kuhl, seconded by Director Shelly, and after full discussion with all Directors present voting aye, the Board agreed to retain the same exemptions for 2020 as were approved in 2019, and adopt the Order Determining Ad Valorem Tax Exemptions, a copy of which is attached hereto.

9. **Adopt Resolution Authorizing Petition Challenging Appraisal Records.** Ms. Adams then reviewed the Resolution Authorizing Petition Challenging Appraisal Records with the Board. Ms. Adams explained that such resolution will allow Ms. McRae to represent the District in filing protests with Montgomery County Appraisal District (the "MCAD"), and in other matters before MCAD. Upon motion by Director Kuhl, seconded by Director Shelly, and after full discussion with all Directors present voting aye, the Board adopted the Resolution Authorizing Petition Challenging Appraisal Records, a copy of which is attached hereto.

10. **Resolution Implementing Penalty on 2019 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes.** Ms. Adams then reviewed the Resolution Implementing Penalty on 2019 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes with the Board. Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion with all Directors present voting aye, the Board adopted the Resolution Implementing Penalty on 2019 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

11. **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. A discussion ensued regarding the future billing to WGB Park on the Lake RV Park (the "RV Park") for sanitary sewer service. Upon motion by Director Shelly, seconded by Director Hall, after full discussion and with all Directors present voting aye, the Board voted to approve the Bookkeeper's Report, as presented.

12. **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 stated that the operation and maintenance manuals have been provided and copies will be provided to the District Operator. 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 then reported that Doughtie submitted Pay Estimate No. 6 and Final in the amount of \$45,818.45, a copy of which is attached to the Engineer's Report. Mr. Hardin explained that the pay estimate represents work completed through February 6, 2020. Mr. Hardin then reported that Doughtie submitted Change Order No. 2 and Final in the deductive amount of \$17,416.00, a copy of which is attached to the Engineer's Report. Mr. Hardin stated that this change order represents final work item quantity adjustments to reflect work completed on the project. Mr. Hardin stated that the total work completed to-date is \$427,404.50 and the contract amount (with Change Order No. 2) decreased from \$427,404.50. Mr. Hardin stated that the Engineer recommends payment of Pay Estimate No. 6 and Final and Change Order No. 2 and Final. Mr. Hardin presented

the Certificate of Completion, a copy of which is attached to the Engineer's Report. Mr. Hardin added that the final payment will be sent to Doughtie's surety for disbursement.

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 awaiting a contractor construction schedule and move-in date.

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 substantially complete and the water and sanitary sewer systems have been approved for taps. Mr. Hardin went on to report that the lift station is also substantially complete and operational, but utility power is not yet available. Mr. Hardin stated that, if necessary, the lift station can be operated on generator power to evacuate the sanitary sewer collection system as a result of active connections (at Clearlake's expense). Mr. Hardin then reviewed with the Board Clearlake's Change Order No. 3 in the amount of \$5,908.00 (for additional rip-rap slope protection) for approval.

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. 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 30 to 60 days and requested the Board's authorization for same. 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.

Upon motion by Director Kuhl, seconded by Director Shelly, and after full discussion with all Directors present voting aye, the Board voted to: 1) approve the Engineer's Report; 2) authorize payment of Pay Estimate No. 6 and Final and Change Order No. 2 and Final from Doughtie in connection with the Lift Station and Force Main to serve the RV Park; 3) accept the Certificate of Completion in connection with the Lift Station and Force Main to serve the RV Park; 4) concur with Clearlake's payment of Change Order No. 3 in the amount of \$5,908.00 in connection with the construction of the water, sewer, drainage and paving facilities to serve ClearView; and 5) authorize Langford to advertise for bids for the Lift Station No. 1 Improvement project.

Mr. Blich exited the meeting at this time.

13. **Adopt Order Declaring Surplus Property and Authorizing Sale of Surplus Property (Generators, Trailers and Other Equipment) (the "Surplus Property 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 had spoken with a few interested parties. 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 unanimously to adopt the Surplus Property Order, declare the Surplus Property as valueless and accept sealed bids from prospective bidders for the purchase of the Surplus Property until 5 p.m. on March 12.

14. **Discuss Insurance Renewal; Obtain Proposals.** Upon motion by Director Shelly, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board authorized Director Kuhl to obtain an insurance proposal from the District's current insurance broker, Arthur J. Gallagher. Director Kuhl stated that he will review the proposal prior to presentation of same to the Board.

15. **Authorize Engineer to prepare updated values for insurance purposes.** Mr. Hardin stated that he has already prepared and provided the District's insurance broker with the updated District property values.

16. **Authorize Attendance at Association of Water Board Directors – Texas ("AWBD") Spring Breakfast and Annual Conference.** Upon motion by Director Kuhl, seconded by Director Shelly, after full discussion and with all Directors present voting aye, the Board authorized the Directors' attendance at the AWBD Spring Breakfast and Annual Conference.

17. **Attorney's Report, including adopt Order Establishing Records Management Program and Appointing Records Management Officer.** The Board next considered the Order Establishing the District's Records Management Program and designating a Records Management Officer. Ms. Adams presented to and reviewed such Order with the Board. 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 adopt the Order Establishing Records Management Program, thereby appointing RBAP as the District's Records Management Officer, a copy of which is attached hereto.

18. **Operations Report.** Mr. Ivy reviewed the Operations Report, a copy of which is attached hereto. Mr. Ivy reported that the District has 536 connections and a 94.29% water accountability ratio for the period ending January 20, 2020.

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

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; and 2) authorize termination of service to the current delinquent accounts in accordance with the provisions of the District's Rate Order.

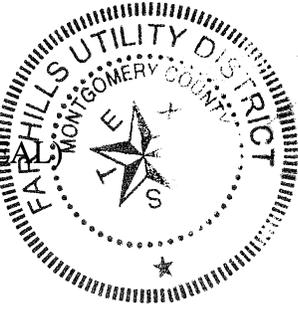
19. **Review and discuss Emergency Response Plan (the "ERP") pursuant to the requirements of the Texas Administrative Code.** Mr. Ivy reported that the District's ERP has been updated to include information in connection with the District's generators.

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

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

Passed and approved this 12th day of March, 2020.

(DISTRICT SEAL)



M. Shell

Secretary, Board of Directors