

FAR HILLS UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS MEETING

March 11, 2021

The Board of Directors (the "Board") of Far Hills Utility District (the "District") met in regular session, open to the public, via video conference, pursuant to the Texas Governor's suspension of certain Texas Open Meetings Act (the "OMA") provisions due to COVID-19, on Thursday, March 11, 2021 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, and Ms. Sholeh Abedinzadeh attorneys, and Ms. Hannah Slaven, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorney for the District; Mr. Mark Ivy and Ms. Erika Mireles 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; Mr. Bill Blich of Blich Associates, Inc., financial advisor for the District; and Ms. Kim Courte of Arthur J. Gallagher Risk Management Services, Inc. ("Gallagher"), insurance provider 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, and declared it open for such business as may come before the Board. The Board meeting was recorded as required by the Texas Governor's declaration suspending certain provisions of the OMA.

1. **Public Comment.** There were no public comments at this time.
2. **Minutes.** The Board considered approval of the regular meeting minutes of February 11, 2021. Upon motion by Director Shelly, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board voted to approve the regular meeting minutes of February 11, 2021, 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 February 2021, a copy of which is attached hereto. Upon motion by Director Bock, seconded by Director Kuhl, and after full discussion with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report.
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.

In response to a question from Director Bock, Mr. Holland explained that an annual payment to Spirit of Texas Bank was for a loan to install electronic meters in the District, and the loan was half paid.

Director Cutler next asked Mr. Hardin if he is aware when Clearlake Asset Management, LLC ("Clearlake"), developer of ClearView Estates ("ClearView") would make a payment toward their past due balance of \$305,352.29. Mr. Hardin reported that Mr. Dru Kahlenberg of Clearlake has provided the same response as in the past, that Clearlake would pay when closings occurs. After discussion, the Board requested that Ms. Adams send Clearlake a letter stating that he must pay toward his past due balance.

Upon motion by Director Kuhl, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board voted to: 1) approve the Bookkeeper's Report, as presented, and authorize payment of the bills reflected therein; 2) authorize the Bookkeeper to sign the disbursements, as previously authorized; and 3) authorize Ms. Adams to send a demand letter to Clearlake, as discussed.

5. **Discuss Insurance Renewal and Accept Proposal.** Director Kuhl and Ms. Courte reviewed with the Board the proposal from Gallagher for the upcoming insurance year. Ms. Courte noted that the District's premium is higher this year than last year because the values of District assets are higher. Director Kuhl reported that a resident of the District had pipes burst during Winter Storm Uri ("Uri") and had attempted to file a claim with the District's insurance. Director Kuhl further reported that such claim was denied. Ms. Courte indicated that all coverages, limits, and carriers in the proposal were the same as the District's current policy. In response to a question from Director Kuhl, Ms. Courte explained the function of worker's compensation insurance in the District's policy.

Ms. Adams asked Ms. Courte to explain to the Board the purpose and function of the cyber liability policy offered by Gallagher. Ms. Courte responded to questions from the Board regarding same. An extensive discussion ensued. The Board reached a consensus to evaluate the consultants' cyber liability policies before considering purchasing its own cyber liability policy.

Upon motion by Director Bock, seconded by Director Cutler, after full discussion and with all Directors present voting aye, the Board voted to accept the proposal for insurance from Arthur J. Gallagher for the 2021-2022 insurance year, except for the cyber liability coverage.

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

Mr. Hardin first reported on the Lift Station No. 1 Improvement Project ("LS No. 1") to serve Clear View by B-5 Construction Co. ("B-5") and presented Pay Estimate No. 5 in the amount of \$2,799.90 related thereto. Mr. Hardin noted that due to Uri and the need to obtain new electric utility service at the site, construction had been delayed, and Langford now estimate the project would be completed near the end of April 2021.

Mr. Hardin next discussed the Out-of-District Service Application from Brent and Judy Landry, and reminded the Board that Mr. Landry had furnished the required deposit check. Mr. Hardin stated that LEI had no objections to such application or provision of service. Ms. Adams reminded the Board that it had approved the Agreement subject to final review by the District's Attorney. Ms. Adams further reported that RBAP had provided the draft agreement to Mr. Landry, and that he had approved the draft.

Regarding construction of water, sewer and drainage facilities to serve Clear View, Mr. Hardin reported that Langford continues to coordinate with Clearlake and Clearlake's engineer to clear the project for final acceptance.

Regarding the status of development of the remaining acreage owned by FQ/LB, L.P. ("FQ/LB") in the French Quarter and Lake Breeze subdivisions, Mr. Hardin reported that French Quarter, Section 4 is under design with bidding and construction of utilities and paving estimated for the second half of 2021.

Upon motion by Director Cutler, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report, including authorization of payment of Pay Estimate No. 5 in the amount of \$2,799.90 to B-5 for the LS No. 1 Project.

7. **Attorney's Report.** Ms. Adams stated she had nothing further of a legal nature to report at this time.

8. **Operations Report.** Mr. Ivy reviewed the Operations Report, a copy of which is attached hereto. Ms. Mireles reported that the District has 624 connections and a 92.8% water accountability ratio for the period ending February 28, 2021.

Mr. Ivy reported that the District's facilities had sustained significant damage during Uri. Mr. Ivy reported there had been damage at the Water Plant, including damage to the chlorination system, and that an eight-inch (8") fill line from Water Well No. 6 ("WW No. 6") had frozen. Mr. Ivy also reported that the ceiling in the District office and the sheetrock in the District warehouse had been damaged by burst pipes. Mr. Ivy stated MMIA has filed an insurance claim on the District's behalf. Director Kuhl carried a camera through the District buildings and showed the Board damage to the District office and warehouse.

Directors Shelly and Cutler exited the meeting at this time.

Director Kuhl also presented to the Board, samples of replacement flooring for the administration and office due to the damage. The Directors concurred that, as demolition and construction were ongoing, it would be in the best interest of the District if one Director made decisions regarding such matters. Upon motion by Director Bock, seconded by Director Haymon, after full discussion and with all Directors present voting aye, the Board appointed Director Kuhl as the committee for the purposes of making decisions regarding the repairs to the District's office and warehouse.

Mr. Ivy next reported that repairs were in progress on the hydropneumatic tank ("HPT") that was not functioning at the District's Water Plant. Mr. Ivy stated that the District's insurance might cover repairs if the District's warehouse and office were considered as one claim along with the HPT, but if the items were treated as separate claims, the repairs would have separate deductibles.

Director Haymon reminded Mr. Hardin and Mr. Ivy that he had previously asked if it would be possible to pump directly from the WW No. 6 to save on San Jacinto River Authority pumpage fees while the ground storage tank ("GST") is inoperable during the repairs planned for late 2021. Director Haymon requested that Langford prepare an estimate for a project to pump directly from WW No. 6 to the District's GST.

Upon motion by Director Brock, seconded by Director Kuhl, after full discussion and with all Directors present voting aye, the Board approved the Operations Report.

9. **District Website Report.** Director Haymon presented to and reviewed with the Board the website report for February 2021, a copy of which is attached hereto.

10. **Bookkeeper's Report.** Mr. Holland explained that he had received additional invoices since he prepared the March Bookkeeper's Report presented earlier in the Board meeting. Mr. Holland reviewed such invoices with the Board. Upon motion by Director Kuhl, seconded by Director Bock, after full discussion and with all Directors present voting aye, the Board approved and authorized payment of the additional invoices.

11. **Adjournment.** There being no further business to come before the Board, upon motion by Director Kuhl, seconded by Director Bock and with all Directors present voting aye, the President adjourned the meeting.

Passed and approved this 8th day of April 2021.




Secretary, Board of Directors