

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MINUTES OF REGULAR MEETING

JANUARY 9, 2019

The Board of Directors (the "Board" or "Directors") of Montgomery County Municipal Utility District No. 8 (the "District" or "MUD 8") met in regular session, open to the public, on Wednesday, January 9, 2019, at 9:00 a.m., at the Walden Yacht Club, 13101 Melville Drive, Montgomery, Texas 77356, a designated meeting place located inside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

John Tryon	President
Bob Leasure	Vice President
Margie Barlow	Secretary
John L. Patton	Assistant Secretary
Randolph C. Moravec	Director

All members of the Board were present. Also attending were Katherine Turner of Municipal Accounts & Consulting L.P. ("Bookkeeper" or "MAC"); Justin Abshire of Jones|Carter ("Engineer" or "Jones|Carter"); Philip Wright of Hays Utility North Corporation ("Operator" or "Hays North"); Charles Barron of Montgomery County Municipal Utility District No. 9 ("MUD 9"); Ross J. Radcliffe, attorney, and Diane F. Brewer, paralegal, of Radcliffe Bobbitt Adams Polley PLLC ("Attorney" or "RBAP"); and all persons on the attached Attendance Roster.

The President, after finding that the notice of the meeting was posted as required by law 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 it.

DRAINAGE REPORT

Mr. Abshire first provided an update regarding the Drainage Improvement Project (the "Drainage Improvements") and reported that work in Zone 1 is underway by the contractor, Rebel Contractors, Inc. ("Rebel"), and should be completed by the end of the week or early next week. Mr. Abshire next reported that the pre-construction kickoff meeting for Zone 6 was held on January 7, 2019, with Rebel and neighboring residents. Mr. Abshire added that Zone 6 work is expected to begin the week of January 14, 2019, and Zone 2 will proceed at the completion of Zone 6, which is expected by the end of January 2019. Mr. Abshire then reviewed the current estimated construction schedule per zone.

Regarding Zone 1, Mr. Abshire reported that upon excavation, it was discovered that a portion of the bulkhead is in need of repair prior to pouring the concrete outfall. Mr. Abshire recommended structural support because the soil was found to have more sand in it than expected. Mr. Abshire went on to discuss the composition of high velocity turf and stated that such turf has a concrete liner. Mr. Abshire added that an impervious surface and a concrete swale were specified in the base bid.

Mr. Abshire then presented Rebel's proposal to furnish all equipment, labor, materials and supervision to repair approximately 38 linear feet of the existing bulkhead at Zone 1, and to replace the sandy soil with imported material, a copy of which is attached hereto. Mr. Abshire stated that decorative bollards with chains will be discussed during the Engineer's Report.

Discussion then ensued regarding certain issues related to the Drainage Improvement in Zone 1, such as signage for property owned by the District and the design of the concrete swale on such property.

APPROVAL OF MINUTES

The President next directed the Board to the approval of the December 12, 2018 regular meeting minutes. Upon a **motion** by Director Patton, seconded by Director Leasure, after full discussion and with all Directors present voting aye, the Board approved the December 12, 2018 regular meeting minutes, as presented.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Turner first reported that a Tax Assessor-Collector's Report for the month of December 2018 has not been received to-date. Ms. Turner also reported that \$490,050.27 in tax revenues was received in December 2018.

BOOKKEEPER'S REPORT

Ms. Turner next reviewed the Bookkeeper's Report, a copy of which is attached hereto, including the current fund balances, expenditures and investments. Ms. Turner then reviewed current year-to-date revenues and expenditures against the budget.

Ms. Turner reviewed a Snap Shot Financial Report as of January 9, 2019, and Revenue and Expenditure Comparison for 2017 and 2018 as of December 12, 2018.

Ms. Turner reported that she will update the tax revenue on the General Operating Fund Balance Sheet and provide the Auditor with an updated profit and loss statement.

Next, an extensive discussion ensued regarding the investment of capital project funds obtained through bond sale in certain investment pools, including certificates of deposit ("CDs"). Ms. Turner reminded the Board that it is MAC's policy that they do not assist in the investment of such funds in such pools. Ms. Turner added that MAC's policy is based on certain discussions with the Securities and Exchange Commission ("SEC") related to the SEC's definition of the Municipal Advisor Rule. Director Moravec then requested that Mr. Radcliffe review the matter further and update the Board further at the next Board meeting.

Then, extensive discussion ensued regarding the Auditor's fraud questionnaire. Mr. Radcliffe stated that the District's consultants receive the Auditor's fraud questionnaire and it is filed in their records. In response to a question from Director Moravec, Mr. Radcliffe stated that the Board should document in the District's minutes that the Board and the District's consultants understand their obligation to report fraud. Upon a **motion** by Director Patton, seconded by Director Moravec, after full discussion and with all Directors present voting aye, the

Board acknowledged review of the Auditor's annual fraud letter and the Board has no concerns at this time.

Upon a **motion** by Director Patton, seconded by Director Barlow, after full discussion and with all Directors present voting aye, the Board: 1) approved the Bookkeeper's Report, as presented; 2) authorized payment of checks numbered 8557 through 8576 from the General Operating Fund; 3) authorized payment of checks numbered 1833 through 1837 from the Wastewater Treatment Plant ("WWTP") Fund; 4) authorized payment of checks numbered 1221 through 1224 from the Capital Projects Fund; and 5) authorized payment of check number 1055 from the Tax Account.

ENGINEER'S REPORT

Mr. Abshire presented the Engineer's Report, a copy of which is attached hereto.

Regarding the WWTP Improvement Project (the "WWTP Project"), Mr. Abshire reported that Allco, LLC ("Allco") is currently mobilizing onsite and the Engineer is reviewing submittals. Mr. Abshire also reported that the pre-construction kickoff meeting was held onsite on December 11, 2018, and the Notice to Proceed was issued to Allco. Mr. Abshire next reported that the contract period for Phase I of the WWTP Project is 480 calendar days from January 2, 2019.

Ms. Turner exited the meeting at this time.

Mr. Abshire then discussed site meetings with Magellan Midstream Partners, L.P. and DCP Midstream. Extensive discussion ensued regarding placement of the District's lines. In response to Director Moravec's concerns about public relations and the District's liability, Mr. Radcliffe stated that the District should put an emergency response plan in place. Mr. Radcliffe added that responding to the media is at the Board's discretion. Mr. Abshire reminded the Board that several meetings will be held before the WWTP Project begins.

Mr. Abshire went on to further discuss the Drainage Improvements and options for new decorative bollards in Zone 1 at a cost of \$10,000. Mr. Abshire noted that removable concrete bollards included in the contract will satisfy the District's needs. Discussion ensued.

Mr. Abshire presented Rebel Pay Estimate No. 1 in the amount of \$84,224.50.

Upon a **motion** by Director Barlow, seconded by Director Moravec, after full discussion and with all Directors present voting aye, the Board: 1) approved repair of the existing bulkhead at Zone 1 equaling approximately 38 linear feet at a cost of \$10,300; 2) approved replacing sandy soil in Zone 1 with an imported material at a cost of \$12,400; and 3) approved new decorative bollards with chains at an additional cost of \$10,000.

Concerning the Water Plant Nos. 1 and 2 Improvement Project, Mr. Abshire reported that CFG Industries, LLC is expecting to mobilize in the next couple of weeks. Mr. Abshire also reported that the pre-construction kickoff meeting was held on December 19, 2018, and the Notice to Proceed was issued. Mr. Abshire added that the contract period for the project is 120 days.

Mr. Abshire reported that work continues on updating the Capital Improvement Plan for 2019-2024.

Mr. Abshire then reported that Jones|Carter was contacted by L Squared regarding a new restaurant at the Walden Yacht Club. Mr. Abshire discussed his review of the plans and inquired regarding the Engineer's fee associated with such plan review. Discussion ensued. Upon a **motion** by Director Patton, seconded by Director Barlow, after full discussion and with all Directors present voting aye, the Board approved absorbing all costs, not to exceed \$5,000, for the Engineer's plan review.

Upon a **motion** by Director Barlow, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report, as presented; and approved Rebel Pay Estimate No. 1 in the amount of \$86,224.50.

OPERATOR'S REPORT

Mr. Wright presented the Operator's Report, a copy of which is attached hereto.

Mr. Wright reported that the combined water accountability for the District and MUD 9 was 96.92%. Mr. Wright next reported that the District had one (1) new tap last month and the District has a total of 1,726 connections.

Mr. Wright reported there were 82 statements sent out by electronic mail and 294 customer payments made online during the month of December.

Mr. Wright next reviewed the list of service termination notices, noting that 141 such notices were mailed to customers and no delinquent accounts were terminated.

Regarding flushing water lines within the District, Mr. Wright reported that 16 properties located on dead-end streets are flushed once per month and information regarding water quality is provided to the Texas Commission on Environmental Quality ("TCEQ"). Director Barlow recommended the continuation of flushing at the 16 properties and the Operator was directed to ask any other persons requesting flushing to attend a Board meeting. Mr. Wright next reported that the Operator's cost to flush the lines at the 16 properties is approximately \$600. Discussion ensued about water quality and the frequency of flushing every other month if not required to flush monthly by the TCEQ.

In response to a question from Mr. Radcliffe, Mr. Wright stated that the District has a meter replacement program in place that has been in place for the past five (5) years. Discussion ensued regarding curb stops.

Mr. Barron exited the meeting at this time.

Next, discussion ensued regarding whether the Lone Star Groundwater Conservation District ("LSGCD") would issue a refund for water not used in 2018.

Mr. Wright then reviewed the MUD 8 and MUD 9 Year to Date Totals, a copy of which is attached to the Operator's Report.

Mr. Wright presented the Notable Activity Report and discussed air header repair at the aeration basin and the bypass pump for previous vactor cleaning.

In response to a questions from Director Moravec, Mr. Wright stated that the valve program is scheduled to begin this month.

Discussions regarding the Drought Contingency Plan were tabled.

Upon a **motion** by Director Barlow, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report, as presented.

Mr. Wright reported that Hays North received a letter requesting service from MUD 9 to a one (1) acre tract of land at the entrance to Walden. Mr. Wright stated that the owner of the property wants to construct an assisted living facility on such tract of land. Discussion ensued.

WATER SMART APPLICATION

Director Moravec inquired regarding whether a notation regarding water conservation could be included on the District's utility bills. Director Barlow stated that an item regarding water conservation could also be included in the WCIA newsletter. Director Barlow asked David Hartman if the WCIA still provides welcome packages to new residents and requested a sample to provide with the Water Smart application (the "Application"). Mr. Wright discussed packets for new Hays North customers. Next, discussion ensued regarding rain sensors.

Mr. Wright indicated that he would review the Application and reminded the Board that such Application must be submitted to the Association of Water Board Directors by March 1, 2019. Mr. Wright added that the Application must be signed by all Directors.

LSGCD

Mr. Abshire reported that the District's application to amend the Alternative Water Source ("AWS") Production Permit was approved by the LSGCD in December 2018.

MUD 9 REPORT

Director Barlow updated the Board regarding the MUD 9 board meeting.

ATTORNEY'S REPORT

Mr. Radcliffe first presented the Consent to Encroachment Agreement (the "Agreement") between the District and Nicholas Phillips. Upon a **motion** by Director Moravec, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board authorized execution of the Agreement.

Next, Mr. Radcliffe updated the Board regarding the Walden Fire Station property.

Mr. Radcliffe then reported that Texas Local Government Code, Sections 203.062 and 403.0241, requires the annual filing of certain financial and tax-related information by all special purpose districts in the Texas Comptroller's Special Purpose District Public Information

Database. Mr. Radcliffe noted that such information must be filed with the Texas Comptroller annually by May 1st or a fine will be incurred. Upon a **motion** by Director Moravec, seconded by Director Leasure, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Attorney to file the required financial and tax-related information with the Texas Comptroller by May 1, 2019.

Mr. Radcliffe distributed for Board review an Attorney Fee Agreement for General and Bond Counsel Services (the "Fee Agreement"), a copy of which is attached hereto. Mr. Radcliffe stated that RBAP's proposed rates are very competitive in the industry. Discussion ensued regarding bond counsel services. Mr. Radcliffe stated that the hourly rates referenced in the Fee Agreement do not apply to bond issues. In response to a question from Director Moravec, Mr. Radcliffe stated that RBAP consults other tax experts on bond issues when necessary. Upon a **motion** by Director Barlow, seconded by Director Leasure, after full discussion and with all Directors present voting aye, the Board approved the Fee Agreement as presented.

Mr. Abshire reported that the letter to Zone 2 residents and the letter regarding the jet ski lift encroaching on the District's easement and San Jacinto River Authority property have been revised since previously approved by the Board. Mr. Abshire recommended moving the jet ski lift to the other side of the dock because the contractor will need to move it anyway. Mr. Radcliffe noted that doing so is a compromise in avoiding attorney consultations. Director Moravec requested inclusion of an indemnification clause in the letters. Mr. Radcliffe stated that the homeowners will be asked to move the jet ski lift within 14 days of the date of the letter and if the homeowner requests assistance to move the jet ski lift, then the District will ask for indemnification. Mr. Radcliffe stated that the homeowner will be required to sign the letter.

REORGANIZE SLATE OF OFFICERS

The Board then considered electing officers for the Board. Upon a **motion** by Director Leasure, seconded by Director Barlow, after full discussion and with all Directors present voting aye, the Board approved the following slate of officers:

John Tryon	President
Jack Patton	Vice President
Margie Barlow	Secretary
Randolph C. Moravec	Treasurer, Investment Officer, Compliance Officer
Bob Leasure	Assistant Secretary

Director Tryon asked for an update regarding a refund of the fee paid to the City of Conroe (the "City") for review of the WWTP plans. Mr. Wright stated that he was informed that City Council will consider a refund. Mr. Radcliffe stated that his office will prepare a letter to the City requesting a refund.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned.

PASSED AND APPROVED this the 13th day of February, 2019.


Asst. Secretary, Board of Directors