

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MINUTES OF REGULAR MEETING

FEBRUARY 13, 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, February 13, 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 |
| John L. Patton | Vice President |
| Margie Barlow | Secretary |
| Randolph C. Moravec | Assistant Secretary |
| Bob Leasure | Director |

All members of the Board were present, except for Director Barlow. Also attending were Katherine Turner of Municipal Accounts & Consulting L.P. ("Bookkeeper" or "MAC"); Erich Peterson and Justin Abshire of Jones|Carter ("Engineer" or "Jones|Carter"); Philip Wright of Hays Utility North Corporation ("Operator" or "Hays North"); Kim Courte of Arthur J. Gallagher; Charles Barron and Robert Ginandt of Montgomery County Municipal Utility District No. 9 ("MUD 9"); Ross J. Radcliffe and Elliot M. Barner, attorneys, 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.

PUBLIC COMMENT

District resident, Ruth Maroney, addressed the Board about her property that backs up to the District's Wastewater Treatment Plant ("WWTP") Reserve, and discussed her concerns about construction of the WWTP, including the removal of trees, construction noise and odor. In response to Mrs. Maroney's concerns, Mr. Abshire explained that the WWTP's design and construction plans have always included the clearing of trees necessary for the construction of the WWTP and the clearing of a certain portion of a one hundred fifty feet (150') buffer zone mandated by the Texas Commission on Environmental Quality ("TCEQ") (the "Buffer Zone"). Mr. Abshire further explained that WWTP includes a detention pond for storm water detention purposes and that the District will be landscaping such pond and the Buffer Zone. Director Tryon then presented a depiction of the WWTP. An extensive discussion ensued regarding options for landscaping and the timing of such landscaping after construction of the WWTP is completed. In response to a question, Director Patton went on to explain that the WWTP site was platted as a Reserve back when the District was first developed and the subdivisions first platted in the 1970s. Mr. Radcliffe encouraged Mrs. Maroney and all members

of the public to attend the District's Board meetings to find out more information about the District's projects. Mrs. Maroney thanked the Board and Mr. Abshire for their time.

DRAINAGE REPORT

Mr. Abshire then provided an update regarding the Drainage Improvement Project (the "Drainage Improvements") and reviewed the timeline of the Drainage Improvements with the public. Mr. Boyd stated that he believed that the contractor, Rebel Contractors, Inc. ("Rebel"), is doing a good job and informed the Board about a utility line that had been severed during construction near his property. Mr. Abshire indicated that he will investigate the matter further and update the Board.

Members of the public exited the meeting at this time.

INSURANCE

Mrs. Courte introduced herself to the Board and reviewed Arthur J. Gallagher's proposal for the District insurance. Mrs. Courter reviewed the District's coverages with the Board. An extensive discussion then ensued regarding certain coverages, including the District's Directors and Officers ("D&O") Liability coverages. Upon a **motion** by Director Moravec, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board approved the insurance renewal proposal and approved reducing the D&O coverage to \$3,000,000.

Mrs. Courte exited the meeting at this time.

APPROVAL OF MINUTES

The President next directed the Board to the approval of the January 9, 2019 regular meeting minutes. Upon a **motion** by Director Moravec, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board approved the January 9, 2019 regular meeting minutes, as presented.

OPERATOR'S REPORT

The Board then requested that Mr. Wright and the North Water District Lab Services ("NWDLS") representatives in attendance to present information related to recent bacteriological testing of the groundwater in the District and in MUD 9 and the positive results of such testing. Mr. Wright and NWDLS representatives discussed TCEQ-mandated testing protocols and Hays' and NWDLS' sampling procedures. An extensive discussion ensued regarding such protocols and processes and options for preventing positive results in the future. In response to a question from Director Moravec, Mr. Wright explained that should the Board decide, Hays will present a plan for designating controlled sampling sites and a proposal for the costs of such plan.

NWDLS representatives exited the meeting at this time.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Turner next reviewed the Tax Assessor-Collector's Report for the month of January 2019, a copy of which is attached hereto, including past monthly collections and credits as reported by Tammy McRae, Tax Assessor-Collector for the District. Ms. Turner reported that 87.84% of the 2018 taxes have been collected as of January 31, 2019.

The Board then considered approval of the Order Determining Ad Valorem Tax Exemptions for the 2019 tax year, a copy of which is attached hereto. Discussion ensued regarding the residential homestead exemption to any individual who is disabled or is 65 years of age or older in the amount of \$30,000 as provided in §11.13(d), Texas Property Tax Code. Upon a **motion** by Director Moravec, seconded by Director Leasure, after full discussion and with all Directors present voting aye, the Board approved the Order Determining Ad Valorem Tax Exemptions for the 2019 tax year.

The Board then discussed adopting the Resolution Implementing Penalty on 2018 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto. Mr. Barner explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2018 real property taxes that remain delinquent as of July 1, 2019, and an additional 20% penalty on 2018 personal property taxes that remain delinquent as of April 1, 2019, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Upon a **motion** by Director Patton, seconded by Director Moravec, after full discussion and with all Directors present voting aye, the Board approved the Resolution Implementing Penalty on 2018 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes.

The Board next discussed adopting the Resolution Authorizing Petition Challenging Appraisal Records, a copy of which is attached hereto. Mr. Barner explained that the Board adopts this resolution on an annual basis so that the District's Tax Assessor-Collector is authorized to challenge the appraisal records on behalf of the District, if the Tax Assessor-Collector identifies a need for such challenge. Upon a **motion** by Director Moravec, seconded by Director Leasure, after full discussion and with all Directors present voting aye, the Board approved the Resolution Authorizing Petition Challenging Appraisal Records.

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 February 13, 2019, and Revenue and Expenditure Comparison for 2017 and 2018 as of February 13, 2019.

In response to a question, Ms. Turner explained that insurance expenses for the District's joint facilities with MUD 9 are shared expenses and that such expenses are invoice accordingly.

Ms. Turner next discussed the Quarterly Investment Inventory Report for the Period Ending December 31, 2018, a copy of which is attached hereto.

Ms. Turner and Messrs. Radcliffe and Barner then updated the Board on their research into the investment of the District's bond funds in certificates of deposit ("CDs") and other investment instruments and their discussions with Mr. Burton regarding such investments. Messrs. Radcliffe and Barner explained that while nothing in their research indicates that such investments are prohibited by law, that Mr. Burton's direct discussions with the Security and Exchange Commission ("SEC") indicate that such investments would require that he register with the SEC as a Municipal Advisor.

Upon a **motion** by Director Leasure, seconded by Director Patton, after full discussion and with all Directors present voting aye, the Board: 1) approved the Tax Assessor-Collector's Report, as presented; 2) approved the Bookkeeper's Report, as presented; 3) authorized payment of checks numbered 8577 through 8612 from the General Operating Fund; 4) authorized payment of checks numbered 1838 through 1845 from the WWTP Fund; 5) authorized payment of checks numbered 1225 through 1227 from the Capital Projects Fund; and 6) approved the Quarterly Investment Inventory Report for the Period Ending December 31, 2018.

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 construction is underway by Allco, LLC ("Allco"). Mr. Abshire also reported that Allco has completed clearing of the eastern portion of the Reserve for the detention pond. Mr. Abshire then reported that Allco also installed all filter fabric fencing surrounding the Reserve and is underway with excavation and removal of dirt from the Reserve. Mr. Abshire added that Allco's and Jones|Carter's construction trailers are now located at the Reserve and that he is in the process of determining how such trailers receive water service. Mr. Abshire then reported that the next site meeting with Allco is scheduled for Monday, February 18, 2019. Mr. Abshire reminded the Board that the contract period for Phase One (1) of the WWTP Project is 480 calendar days from January 2, 2019, which establishes the substantial completion of Phase One (1) in April 2020.

Ms. Turner exited the meeting at this time.

In response to a question from Director Patton about a request for information regarding the WWTP Project, Mr. Barner informed the Board that he had provided such information with the requested information pursuant to the Public Information Act.

In response to a question from Director Tryon, Mr. Wright stated that new signage related to the WWTP Project are scheduled to be installed later today. Director Tryon stated that he will draft an article for publication in the April 2019 WCIA newsletter regarding the WWTP Project.

Concerning the Drainage Improvements, Mr. Abshire presented Pay Estimate No. 2 in the amount of \$150,698.70. Mr. Abshire reported that the Engineer met with residents at 11906 Doretta Drive on January 15, 2019, and concluded that drainage issues at such address are not a District issue. Mr. Abshire stated that certain property owners on Doretta Drive had made some drainage improvements on their property. Mr. Abshire then presented photographs of Drainage Improvements in Zones 2 and 6, copies of which are attached hereto.

Concerning the Water Plant Nos. 1 and 2 Improvement Project, Mr. Abshire reported that CFG Industries, LLC ("CFG") is underway with work and, at the request of the Operator, was pulled from working on the ground storage tanks at Water Plant No. 2 so that such tanks could be placed back into service. Mr. Abshire added that CFG has several items remaining and will complete such work when the weather is drier.

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

Upon a **motion** by Director Patton, seconded by Director Moravec, after full discussion and with all Directors present voting aye, the Board: 1) approved the Engineer's Report, as presented; and 2) approved Rebel Pay Estimate No. 2 in the amount of \$150,698.70.

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 95.26%. Mr. Wright next reported that the District had one (1) new tap last month and the District has a total of 1,728 connections.

Mr. Wright reported there were 90 statements sent out by electronic mail and 293 customer payments made online during the month of January.

Mr. Wright next reviewed the list of service termination notices, noting that 162 such notices were mailed to customers and two (2) delinquent accounts were terminated.

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 next discussed the WWTP inflows and reported on certain components of the clarifier as shown in the Notable Activity Report.

In response to a question from Director Moravec regarding the water line valve location project, Mr. Wright stated that such project is ongoing. The Board requested a report regarding the status of the project by section at the March 13, 2019.

Director Patton next reminded Hays that water line flushing requests should be brought before the Board prior to Hays performing such requests. It was the consensus of the Board that an item be placed on the March 13, 2019 Board meeting agenda to amend the District's Rate Order to include a fee for such flushing.

Mr. Wright then presented a proposal to flow test, water blast and paint fire hydrants, a copy of which is attached hereto. Discussion ensued. Mr. Wright stated that he will present a report at the March 13, 2019 meeting of the items that need to be addressed by the District, including hydrants that are hard to operate.

Mr. Wright next presented a list of 12 uncollectible accounts. Mr. Wright reported that deposits have been applied to such uncollectible accounts. In response to a question from

MUD 9 director Ginandt, Mr. Wright stated that the names of uncollectible accountholders are kept in the AVR system for MUD 8 accounts and other districts operated by Hays. Mr. Wright went on to state that in the event the accountholder's name appears on a future service request, Hays will send an invoice to such accountholder for any previously uncollected amounts.

Upon a **motion** by Director Patton, seconded by Director Moravec, after full discussion and with all Directors present voting aye, the Board: 1) approved the Operator's Report, as presented; 2) authorized write-offs of 12 uncollectible accounts; and 3) authorized preparation of a plan for installation of bacterial testing stations.

WATER SMART APPLICATION

Mr. Wright presented the Water Smart Application, a copy of which is attached hereto. It was the consensus of the Board to appoint Director Barlow as the contact person for the Water Smart program.

Mr. Wright presented Water Smart bumper stickers to the Board and Consultants. It was reported that Director Barlow's article regarding the Water Smart program will appear in the January WCIA newsletter.

DROUGHT CONTINGENCY PLAN ("DCP")

Mr. Abshire presented a draft of a revised DCP, a copy of which is attached hereto, and discussed stage triggers, historic water usage and triggering activity. An extensive discussion ensued regarding parameters for revised triggers and drought stages. It was the consensus of the Board to table further discussions concerning the DCP until the March 13, 2019 meeting.

MUD 9 REPORT

MUD 9 director Barron updated the Board regarding the MUD 9 board meeting.

WEBSITE REPORT

Director Patton updated the Board regarding website usage. Discussion ensued regarding e-statements and encouraging new customers to sign-up for online bill payments and e-statements. In response to a question, Mr. Wright stated that the cost to generate utility bills is approximately \$1,500 per month.

Discussion then ensued regarding ways to inform District customers about boil water notifications, including door tags, email and text messages. Extensive discussion ensued.

LONE STAR GROUNDWATER CONSERVATION DISTRICT ("LONE STAR")

Mr. Abshire reported regarding receipt of an email notification from Lone Star regarding modifications to the District's Alternative Water Source. Discussion ensued.

ATTORNEY'S REPORT

Mr. Barner updated the Board regarding the Walden Fire Station property and indicated that he will have more to report at the March 13, 2019 meeting.

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

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



Secretary, Board of Directors