

MINUTES  
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

August 6, 2015

The Board of Directors (the "Board") of Montgomery County Municipal Utility District No. 89 (the "District") met in regular session, open to the public, on the 6th day of August, 2015, at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas 77027, outside the boundaries of the District, and the roll was called of the duly appointed members of the Board, to-wit:

Gregory Grant	President
Paul Cote	Vice President
Robert Veasey, III	Secretary
Robert Ayre	Director
Shawn Goodman	Assistant Secretary

and all of the above were present except Director Goodman, thus constituting a quorum.

Also present at the meeting were: Jill Henze of Breedlove & Company, P.C. ("Breedlove"); Sebastien Moulin of the Legends Ranch Property Owners Association ("POA"); Anthea Moran of First Southwest Company; Martin Murdock and Justin Abshire of Jones & Carter, Inc. ("J&C"); John Montgomery of Municipal Operations & Consulting, Inc. ("MOC"); Christina Garcia of Myrtle Cruz, Inc. ("Myrtle Cruz"); Johnny Williams of Champions Hydro-Lawn, Inc. ("Champions"); and Tim Austin and Cathy Campbell of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board reviewed the minutes of the July 2, 2015, regular meeting. Director Ayre requested a revision to the minutes. Following review and discussion, Director Ayre moved to approve the minutes of the July 2, 2015, regular meeting, as revised. The motion was seconded by Director Cote and passed by unanimous vote.

ENGAGE AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR END AUGUST 31, 2015

Ms. Henze presented an engagement letter with Breedlove to conduct the District's audit for the fiscal year ending August 31, 2015, and reported that the audit is estimated to cost \$13,500 plus postage, printing, and delivery costs. After discussion, Director Cote moved to engage Breedlove to conduct the District's audit for the fiscal year ending August 31, 2015. Director Ayre seconded the motion, which carried by unanimous vote.

## BOOKKEEPER'S AND TAX ACCOUNT REPORT

Ms. Garcia presented the bookkeeper's report, including information on the tax account, and submitted the bills for the Board's review. The Board discussed the budget for the Joint Water Facilities and noted that the utility expenses are \$19,112.37 more than budgeted because Spring Creek Utility District ("SCUD") owes for a portion of the utility expense. After review, Director Veasey moved to approve the bookkeeper's report, the tax account report, and the checks presented for payment. Director Cote seconded the motion, which carried by unanimous vote. The report is attached.

## BUDGET FOR THE FISCAL YEAR END AUGUST 31, 2016

Ms. Garcia reviewed a draft budget for the District's August 31, 2016, fiscal year end.

## DISCUSS 2015 TAX RATE, SET PUBLIC HEARING DATE, AND AUTHORIZE NOTICE OF PUBLIC HEARING REGARDING ADOPTION OF TAX RATE

The Board considered setting a public hearing date and authorizing notice of a public hearing regarding the District's adoption of a tax rate. Ms. Moran reviewed a cash flow analysis, a copy of which is attached. The Board discussed potential capital projects and funding of same. Mr. Abshire reviewed the proposed bond application and summary of costs for the wastewater treatment plant. Ms. Moran noted that property values have increased and reviewed the parity rate and roll-back rate. Ms. Moran recommended that the Board levy a tax rate of \$0.64 per \$100 of assessed valuation to provide for the District's debt service requirements. The Board also discussed maintaining sufficient funds in the District's operating account and agreed to publish its intent to levy a tax rate of \$0.31 per \$100 of assessed valuation to provide for maintenance and operations. After discussion, Director Grant moved to authorize publication of the tax rate of \$0.95 per \$100 of assessed valuation, and set the public hearing for September 3, 2015, at ABHR. The motion was seconded by Director Veasey and carried unanimously. The Board agreed to schedule the public hearing for Thursday, September 3, 2015, at 11:00 a.m. at ABHR.

## AUTHORIZE PREPARATION OF BOND APPLICATION NO. 8

The Board agreed to fund the engineering and contingency costs for the new wastewater treatment plant from the operating fund rather than the bonds, thereby reducing the bond amount by \$978,000. After discussion, Director Veasey moved to authorize preparation of bond application no. 8. Director Cote seconded the motion, which carried by unanimous vote.

BUDGET FOR THE FISCAL YEAR END AUGUST 31, 2016

After discussion, Director Ayre moved to adopt the budget for the District's August 31, 2016, fiscal year end. Director Veasey seconded the motion, which carried by unanimous vote.

REPORT ON DRAINAGE CHANNEL MAINTENANCE

Mr. Williams reviewed a drainage channel report prepared by Champions, a copy of which is attached. Mr. Williams agreed to mow a small tract of land next to the access road at Rayford Road.

OPERATORS REPORT

Mr. Montgomery presented and reviewed with the Board a copy of the monthly operator's report for the month. He stated that the ratio of water billed versus produced for the period from June 15, to July 15, 2015, was 98%.

Mr. Montgomery reported that smoke testing of the District's lines will begin Monday and that door tags are being hung to notify residents of the testing. Mr. Mouton agreed that the POA can send a blast email to residents notifying them of the smoke testing. Mr. Montgomery stated that the cost for the smoke testing is \$43,334.37 from Source Point Solutions. After discussion, Director Cote moved to approve the proposal from Source Point Solutions in the amount of \$43,334.37. Director Veasey seconded the motion, which carried by unanimous vote.

Mr. Montgomery reported that the Stage 1 water conservation measures were implemented because of the drought conditions. Mr. Montgomery stated that a notice was included in the water bills. Mr. Montgomery also requested that all of the homeowners' associations curtail irrigation usage by 20%.

After review and discussion, Director Ayre moved to approve the operator's report. Director Veasey seconded the motion, which carried by unanimous vote.

TERMINATION OF WATER SERVICE

Mr. Montgomery next presented a list of delinquent utility service accounts. Mr. Montgomery advised the Board that all of the accounts on the list had been given written notification, in accordance with the District's Rate Order, of the opportunity to appear before the District's Board of Directors, either in person or in writing, to explain, contest, or or correct their bills and to show why utility service should not be terminated for reason of nonpayment. Mr. Montgomery noted that the accounts in question had neither contacted his office nor had appeared at the Board meeting concerning their bills. Following discussion, Director Ayre moved to authorize termination of utility service to said

accounts. This motion was seconded by Director Veasey and carried unanimously. A copy of the list of delinquent utility service accounts is attached.

#### DISCUSS SIDEWALK AND SECURITY PATROL

Mr. Montgomery reviewed photographs of three sidewalk areas the POA is requesting that the District repair. The Board determined that the sidewalk issues were not caused by District facilities.

#### ENGINEER'S REPORT

Mr. Abshire distributed the engineer's report, a copy of which is attached, and reviewed it with the Board. He updated the Board on the expansion of the Legends Ranch Water Plant No. 2 and water well no. 3 (No. 3). Mr. Abshire stated that J&C is in the process of designing the permanent aeration system to serve No. 3 for SCUD.

#### STATUS OF DESIGN OF WASTEWATER TREATMENT PLANT (WWTP)

Mr. Abshire reviewed the plans for the permanent WWTP.

#### STATUS OF TPDES PERMIT APPLICATION

Mr. Abshire reported that the TPDES permit application is under review by the Texas Commission on Environmental Quality (TCEQ).

#### LONG-TERM PLAN

Mr. Abshire reviewed an updated Long-Term Plan, a copy of which is included in the engineer's report.

#### PAY ESTIMATES, CHANGE ORDERS, AND/OR FINAL ACCEPTANCE, IF APPROPRIATE, FOR HYDROPNEUMATIC TANK NO. 3 AT WATER PLANT NO. 1

Mr. Abshire reviewed and recommended that the Board approve Pay Estimate No. 2 in the amount of \$79,110.00 to Schier Construction Company, Inc., for construction of water plant no. 1 improvements, including hydropneumatic tank no. 3. After discussion, Director Grant moved to approve Pay Estimate No. 2 to Schier Construction Company, Inc., for construction of water plant no. 1 improvements, including hydropneumatic tank no. 3, based on the engineer's recommendation. Director Cote seconded the motion, which carried by unanimous vote.

#### PHASE II MS4 PERMIT APPLICATION

Mr. Abshire reported on the MS4 Permit and Director Veasey stated that the inlet markers are being installed.

## DEEDS AND EASEMENTS

Mr. Austin stated that ABHR sent Land Tejas the deed to convey the pipeline easement area to the District but Land Tejas has not yet agreed to sign the deed. Mr. Austin stated that ABHR is working on the deed to convey the tract of land owned by Elan along the pipeline easement to the District.

## REPORT ON IMPLEMENTATION OF GROUNDWATER REDUCTION PLAN AGREEMENT

Mr. Austin reviewed a letter from the San Jacinto River Authority ('SJRA') requesting the District agree to the proposed groundwater production for calendar year 2016 in an amount not to exceed 370,310,250 gallons, even though the District, including Montgomery County Municipal Utility District No. 88, is permitted for 422,240,000 gallons of regulated groundwater per year. The Board objected to the letter and requested that ABHR send a letter to SJRA stating that the District cannot guarantee that it will comply with the decreased groundwater usage, especially in light of increased development activities. After discussion, Director Ayre moved to authorize ABHR to respond to SJRA's letter. Director Veasey seconded the motion, which carried by unanimous vote.

## RESOLUTION CASTING VOTE FOR CANDIDATE FOR APPOINTMENT TO THE SAN JACINTO RIVER AUTHORITY GROUNDWATER REDUCTION PLAN CONTRACT REVIEW COMMITTEE

After discussion, Director Ayre moved to adopt the Resolution Casting a Vote for Candidate for Appointment to the San Jacinto River Authority Groundwater Reduction Plan Contract Review Committee, voting for Director Grant. Director Veasey seconded the motion, which carried by unanimous vote.

Mr. Austin stated that the SJRA plans to have an open house on October 8, 2015, and all directors expressed an interest in attending.

## OTHER MATTERS

Mr. Austin reviewed the Official Ballot for the Board of Directors election for Montgomery Central Appraisal District ('MCAD'). After discussion, Director Ayre moved to cast the District's votes for Director Grant. Director Veasey seconded the motion, which carried by unanimous vote.

## DISCUSS SIDEWALK AND SECURITY PATROL

Mr. Mouton requested that the District fund \$35,000 for lake maintenance, \$100,000 for streetlights, and \$125,000 for security patrols. Discussion ensued. Director Grant stated that the Board will consider the requests when a formal proposal is submitted.

There being no further business to come before the Board, the Board concurred to adjourn the meeting.

(SEAL)

  
Secretary, Board of Directors



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