

MINUTES
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

January 7, 2016

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 7th day of January, 2016, 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
Bredawn Riley	Assistant Vice President
Shawn Goodman	Assistant Secretary

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

Also present at the meeting were 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 and Stacey Wagner of Champions Hydro-Lawn, Inc. ("Champions"); and Tim Austin, Cathy Campbell, and Shilpa Shah of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board reviewed the minutes of the December 3, 2015, regular meeting. Following review and discussion, Director Goodman moved to approve the minutes of the December 3, 2015, minutes as presented. The motion was seconded by Director Cote and passed by unanimous vote.

IMPLEMENTATION OF HOUSE BILL 1295

Mr. Austin presented and reviewed a memorandum from ABHR regarding implementation of House Bill 1295 that was passed by the Texas Legislature during the 84th Legislative Session, which enacted Section 2252.908, Government Code, imposing new requirements for any new, amended, extended or renewed contracts entered into by governmental entities on or after January 1, 2016. A copy of the memorandum is attached. Mr. Austin stated that business entities must file a FORM 1295 with the Texas Ethics Commission and disclose certain interested parties, intermediaries, and controlling interests when seeking any contract that is in excess of \$1 million or requires an action or vote by the governing body before a governmental entity may enter into a contract. He

discussed FORM 1295 promulgated by the Texas Ethics Commission for a business entity to complete, execute and notarize, and provide to the governmental entity at or in advance of the meeting at which the related contract may be considered.

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. Copies of the bookkeeper's report and tax account report are attached. Director Grant requested that a column be added to state the percentage of completion for each item in the budget. Director Cote discussed engineering fees paid for the bond application on page 9 of the bookkeeper's report and the payment on October 1, 2015, that does not list a check number. After discussion, Ms. Garcia stated that the missing check number should be check number 5128 and that she will confirm that the \$8,750 payment was part of the invoice paid. Director Grant stated that he is no longer able to attend the Association of Water Board Directors winter conference and Ms. Garcia stated that the cancellation fee is \$50 and that Director Grant's registration fee cannot be transferred to another director to attend the conference.

After discussion, Director Goodman moved to approve the bookkeeper's report. Director Veasey seconded the motion, which carried by unanimous vote.

ACCEPT ANNUAL DISCLOSURE STATEMENTS OF THE BOOKKEEPER AND INVESTMENT OFFICER

Mr. Austin explained that the annual disclosure statements required by the Public Funds Investment Act disclose relationships between the District's Investment Officer and bookkeeper with entities or individuals who are offering, have offered, or may offer to engage in an investment transaction with the District. He also explained that the statements would be filed in the District's permanent records and with the Texas Ethics Commission. Following discussion, Director Veasey moved to accept the disclosure statements and authorize filing of the disclosure statements with the Texas Ethics Commission. Director Grant seconded the motion, which carried unanimously.

ANNUAL REPORT REGARDING POST-ISSUANCE COMPLIANCE POLICY

Mr. Austin reported on the District's compliance activities during the prior calendar year related to bond financings. Mr. Austin stated that no corrective action is required at this time.

REVIEW LIST OF LOCAL GOVERNMENT OFFICERS PURSUANT TO CHAPTER 176 OF THE TEXAS LOCAL GOVERNMENT CODE

Mr. Austin stated that pursuant to Chapter 176 of the Texas Local Government Code, the District will maintain a List of Local Government Officers. Mr. Austin reviewed

the List of Local Government Officers. After review and discussion, Director Veasey moved to approve and authorize execution of the List of Local Government Officers and direct that the List be filed appropriately and retained in the District's official records. Director Cote seconded the motion, which passed by unanimous vote.

REPORT ON DRAINAGE CHANNEL MAINTENANCE

Ms. Wagner presented and reviewed a Detention and Drainage Facilities Report, a copy of which is attached. Ms. Wagner agreed to present a proposal for de-silting the lateral channel and removing stabilized sand at the next meeting.

ENGINEER'S REPORT

Mr. Abshire presented and reviewed with the Board the engineer's report, a copy of which is attached. He reported that SCUD awarded the contract for the water plant no. 3 aeration system to Gemini Contracting Services, Inc., and the project is scheduled to be complete in April of 2016.

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

Mr. Abshire reported that the plans for the WWTP will be advertised next week.

REVIEW STORM WATER FACILITIES CONTRACT

Mr. Abshire reported that J&C met with the engineers for Spring Creek Utility District ("SCUD") and Montgomery County Municipal Utility District No. 88 ("No. 88") regarding reallocation of the storm water facilities and reviewed the Storm Water Facilities Contract ("Contract"), a copy of which is attached. Mr. Abshire reviewed an Exhibit showing the existing pro-rata shares for each district and the revised pro-rata shares. Mr. Abshire stated that the revised pro-rata shares are based on recorded platted acreage. Mr. Abshire also reviewed an aerial photograph of the three districts. Director Cote requested information on the lateral channel and why the District is the only entity responsible for its maintenance. Mr. Murdock explained that the lateral channel was originally constructed as a temporary channel, but has evolved into a permanent channel that only serves the District. Director Veasey discussed the large amount of drainage from the Walmart within SCUD and Mr. Murdock stated that the Texas Commission on Environmental Quality ("TCEQ") bases drainage capacity on acreage, not volume. Mr. Abshire stated that No. 88 will back-pay for acreage platted last year. Mr. Abshire also reviewed a map showing the acreage in each district within the floodplain. Mr. Abshire stated that the revised pro-rata shares will be presented to each district and then the revised percentages will be provided to the bookkeeper.

Mr. Austin noted that the Contract provides for establishing an Advisory Board. The Board discussed establishment of an Advisory Board with quarterly meetings and appointing two directors to attend the meetings.

LONG-TERM PLAN

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

PHASE II MS4 PERMIT APPLICATION

Mr. Abshire reported that J&C will provide a change of address for the Storm Water Management Program ("SWMMP").

DEEDS AND EASEMENTS

The Board did not receive any deeds or easements for review.

REPORT ON BOND APPLICATION NO. 8 INCLUDING ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TCEQ

Mr. Abshire reported that J&C plans to submit bond application no. 8 to the TCEQ next week. Mr. Austin stated that ABHR will have an amended engagement letter next month to lower the bond fee to 2% for all new money bonds and noted that this will lower the attorney fees in the summary of costs. The Board agreed to submit the bond application with the current summary of costs, leaving a surplus in the bond account.

OPERATOR'S REPORT

Mr. Montgomery presented and reviewed with the Board a copy of the monthly operator's report for the month of December, 2015, a copy of which is attached. He stated that the ratio of water billed versus produced for the period from October 14, 2015, to December 15, 2015, was 96%.

Mr. Montgomery reviewed a list of five delinquent accounts that are deemed not to be collectible and recommended removing the accounts from the accounts receivable ledger.

After review and discussion, Director Grant moved to (1) approve the operator's report; and (2) remove the delinquent accounts discussed above from the accounts receivable list. Director Veasey seconded the motion, which passed by unanimous vote.

Director Veasey discussed flooding in the District during the heavy rains last evening. Mr. Montgomery agreed to check the inlets for possible obstructions. Mr. Abshire stated that the streets are designed to flood during heavy rainfall and agreed to provide information on the design of the facilities and streets. Director Cote discussed sending a newsletter once a year with information to the residents. The Board also discussed a website or other social media to communicate with the residents.

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 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 Grant 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.

WATER AND SEWER RATE COMPARISON

Mr. Montgomery stated that he will provide a comparison of water and sewer rates for the next meeting.

DISCUSS PROCESS FOR EVALUATION OF DISTRICT CONSULTANTS

The Board agreed to schedule a special meeting to discuss consultant contracts.

2016 DIRECTORS ELECTION

Mr. Austin discussed procedures related to the 2016 Directors Election. He reviewed a Resolution Designating an Agent of the Secretary of the Board of Directors During the 2016 Directors Election Period. Following review and discussion, Director Cote moved to adopt a Resolution Designating an Agent of the Secretary of the Board During the 2016 Directors Election Period appointing Cathy Campbell as the agent of the Secretary of the Board of Directors to perform the duties of the District's Directors Election, authorize the agent to post the related notice as required, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Grant seconded the motion, which was approved by unanimous vote.

Mr. Austin reported on requirements to file a Notice of Deadline to File Applications for Place on the Ballot for the 2016 Directors Election. Following discussion, Director Cote moved to authorize the Secretary's agent to post the notice as required. Director Grant seconded the motion, which was approved by unanimous vote.

Mr. Austin discussed exemptions from using electronic voting systems during the 2016 Directors Election. He stated that the basis of the District's exemption is that the most recent directors election was cancelled. Following discussion, Director Cote moved to authorize the Secretary's agent to publish Notice of Exemption in a newspaper of general circulation. Director Grant seconded the motion, which was approved by unanimous vote.

Mr. Austin stated that the District may contract with Montgomery County (the "County") to conduct the District's 2016 Directors Election. After discussion, Director Cote moved to contract with the County to administer the District's elections. Director Grant seconded the motion, which was approved by unanimous vote. The Board discussed pay for election officials during the 2016 Directors Election, in the event that the County does not have an independent pay scale for election officials. Following discussion, Director Cote moved to set the pay for election officials at \$15.00 per hour, in the event that the County does not have an independent pay scale for election officials. Director Grant seconded the motion, which was approved by unanimous vote.

CONVENE IN EXECUTIVE SESSION

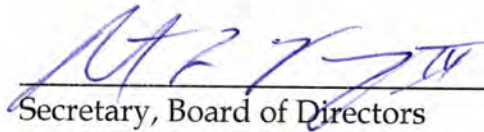
The Board convened in Executive Session at 1:15.

RECONVENE IN OPEN SESSION

The Board re-convened in Open Session and did not take any action.

There being no further business to come before the Board, the Board meeting was adjourned.

(SEAL)


Secretary, Board of Directors



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