

MINUTES  
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 89

September 7, 2017

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 September, 2017, 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:

|                      |                          |
|----------------------|--------------------------|
| Paul Cote            | President                |
| Robert Veasey, III   | Vice President           |
| Bredawn Riley        | Secretary                |
| Shawn Goodman        | Assistant Vice President |
| Fred C. Colston, III | Assistant Secretary      |

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

Also present at the meeting were Gary Nokes, a resident of the District; Nate Newman of NNN BTS, LLC; Christie Leighton of Best Trash, LLC ("Best Trash"); Anthea Moran of FirstSouthwest, a Division of Hilltop Securities ("FirstSouthwest"); Stacey Wagner of Champions Hydro-Lawn, Inc. ("Champions"); Justin Abshire and Martin Murdock of Jones & Carter, Inc. ("J&C"); John Montgomery of Municipal Operations & Consulting, Inc. ("MOC"); Tina Kelsey of Myrtle Cruz, Inc. ("Myrtle Cruz"); and Tim Austin and Ashley Ramos of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board reviewed the minutes of the August 1, 2017, special meeting, and the August 3, 2017, regular meeting. Following review and discussion, Director Goodman moved to approve the minutes. The motion was seconded by Director Colston and passed by unanimous vote.

REPORT FROM BEST TRASH

The Board discussed garbage collection services within the District.

LEGENDS RANCH PROPERTY OWNERS ASSOCIATION ("POA")

Director Cote updated the Board regarding POA matters. The Board discussed providing a tap to the POA for the irrigation system at the 2.73 acre multi-purpose sports field. Following review and discussion, Director Colston moved to authorize

J&C and MOC to provide the POA with a tap for the irrigation system. Director Goodman seconded the motion, which carried by unanimous vote.

PUBLIC HEARING REGARDING DISTRICT'S TAX RATE, ORDER LEVYING TAXES, AND AMENDMENT TO INFORMATION FORM

Ms. Moran presented and reviewed tax rate analyses for various homestead exemptions, including a report regarding outstanding bonds, copies of which are attached. Discussion ensued.

The Board conducted a public hearing regarding the District's 2017 tax rate adoption. The Board noted that the District published a total tax rate of \$0.8828 per \$100 of assessed valuation, consisting of \$0.58 to provide for debt service requirements and \$0.3028 to provide for maintenance and operations. Mr. Austin then opened the public hearing. No members of the public came forward to make comments. Mr. Austin then closed the public hearing.

After discussion, Director Goodman moved to adopt an Order Levying Taxes ("Order") providing for a 2017 tax rate of \$0.58 per \$100 of assessed valuation to provide for the District's debt service requirements and a tax rate of \$0.3028 per \$100 of assessed valuation to provide for maintenance and operations, for a total 2017 tax rate of \$0.8828 per \$100 of assessed valuation, and to approve the Amendment to Information Form to be filed with the Montgomery County Deed Records and the Texas Commission on Environmental Quality ("TCEQ"). The motion was seconded by Director Colston and carried by unanimous vote.

BOOKKEEPER'S AND TAX ACCOUNT REPORT

Ms. Kelsey 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. Following review and discussion, Director Veasey moved to approve the bookkeeper's report. Director Colston seconded the motion, which carried by unanimous vote.

ADOPT AMENDED BUDGET FOR THE FISCAL YEAR END AUGUST 31, 2018

The Board took no action on this agenda item.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND ADOPT RESOLUTION REGARDING ANNUAL REVIEW OF INVESTMENT POLICY

The Board deferred discussion on this agenda item.

ADOPT RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS AND ADOPTING LIST OF QUALIFIED BROKER/DEALERS WITH WHOM THE DISTRICT MAY ENGAGE IN INVESTMENT TRANSACTIONS

The Board deferred discussion on this agenda item.

REPORT ON DRAINAGE CHANNEL MAINTENANCE

Ms. Wagner reported on drainage channel maintenance.

ENGINEER'S REPORT

Mr. Abshire presented and reviewed with the Board the engineer's report, a copy of which is attached.

Mr. Abshire updated the Board on the 1.5 acre Aldine Westfield Tract for the proposed early childhood development center, The Learning Experience, and a medical clinic, stating construction is underway. He stated the developer's engineer will need to send revised drawings that have been approved by all agencies prior to the District providing approval on the public water and sanitary sewer extensions to serve this tract. Mr. Newman discussed the District's commercial tap fees and requested a lower tap fee for the commercial development than is provided in the Rate Order. The Board discussed amending the Rate Order to lower commercial tap fees. Following review and discussion, the Board took no action, thereby leaving the commercial tap fees as is and to not amending the District's Rate Order.

Mr. Abshire reported on the joint/central drainage facility berm wall and stormwater pump station grate improvements. He stated Spring Creek Utility District ("SCUD") executed contracts with Lindsey Construction, Inc. at the August 21, 2017 Board meeting and the contract is underway. Mr. Abshire stated the weir may have sustained additional damages during Hurricane Harvey. He stated J&C is continuing to work with the Federal Emergency Management Agency to receive funding.

DISCUSS WATER CAPACITY REQUEST FROM MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 88 ("MUD 88")

Mr. Abshire reported on MUD 88's request for water capacity from the District and SCUD to fulfill their planned development needs. He stated MUD 88 has engaged an auditor to assist with incorporating inflation, depreciation, and bond interest into a revised preliminary pricing structure.

PAY ESTIMATES, CHANGE ORDERS, AND FINAL ACCEPTANCE FOR WASTEWATER TREATMENT PLANT ("WWTP")

Mr. Abshire reported on the construction of the WWTP. He presented and reviewed Pay Estimate No. 16 and Final in the amount of \$188,470.00 to Bryan Construction Co. Following review and discussion, the Board concurred to hold approval of Pay Estimate No. 16 and Final in the amount of \$188,470.00 to Bryan Construction Co.

Mr. Abshire stated the District's Texas Pollutant Discharge Elimination System ("TPDES") permit for the wastewater treatment plant expires on July 1, 2018. He stated J&C requests Board authorization to begin preparation of the permit renewal package. Mr. Abshire added the total estimated cost to prepare the permit renewal package and obtain the permit is approximately \$20,000, including publication fees, lab fees, and the application fee. Following review and discussion, Director Veasey moved to authorize J&C to prepare the TPDES permit renewal package. Director Riley seconded the motion, which carried by unanimous vote.

#### 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.

#### STORM WATER PERMITTING MATTERS

Mr. Abshire updated the Board regarding storm water permitting matters stating J&C is continuing with year 3 administrative services, which ended on August 31, 2017. He stated J&C is preparing the Permit Year 3 Annual Report.

#### OPERATOR'S REPORT

Mr. Montgomery presented and reviewed with the Board a copy of the monthly operator's report for the month of August 2017, a copy of which is attached. He stated that the ratio of water billed versus produced for the period from July 14, 2017, to August 15, 2017, was 98%. Mr. Montgomery then presented two accounts requested to be written off as uncollectable.

The Board discussed the water smart event in conjunction with the Fall Festival.

The Board discussed upgrading the controllers at the pump station.

Following discussion, Director Colston moved to approve the operator's report, including the two accounts to be written off as uncollectible. The motion was seconded by Director Veasey and carried unanimously.

#### TERMINATION OF WATER SERVICE

Mr. Montgomery presented a list of delinquent customers. He suggested the Board waive delinquent account cut-offs for a period of time due to the effects of

Hurricane Harvey. Following review and discussion, Director Colston moved to authorize MOC to waive delinquent account cut-offs for sixty days and authorized MOC to provide payment plans to customers upon customer request. The motion was seconded by Director Veasey and passed by unanimous vote.

DISCUSS MATTERS RELATED TO MONTGOMERY COUNTY PRECINT 3

There was no discussion on this agenda item.

REPORT FROM ADVISORY BOARD

There was no discussion of advisory Board matters.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION OR A SETTLEMENT OFFER

The Board convened in executive session at 12:30 p.m.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION

The Board reconvened in open session at 12:38 p.m. Director Colston moved to authorize the attorney to notify Bryan Construction Co. of the District's offer to settle the final pay estimate for the full amount, less lease payments and engineering fees. The motion was seconded by Director Goodman and passed unanimously.

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

(SEAL)

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Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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