

MINUTES OF SPECIAL MEETING
MONTGOMERY COUNTY UTILITY DISTRICT NO. 2
MONTGOMERY COUNTY, TEXAS

19 November 2021

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §

The Board of Directors (the "Board") of Montgomery County Utility District No. 2 (the "District") of Montgomery County, Texas, met in special session, open to the public at 9:00 a.m. on the 19th day of November 2021, at Municipal Accounts & Consulting, LP, 611 Longmire Road, Suite 1, Conroe, Texas 77304, outside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Kevin Lacy	President
Charles Williams	Vice President
Pam Harton	Treasurer
Roy J. Smith	Secretary and Asst. Vice President
Jon Crenshaw	Asst. Secretary

and all of said persons were present, with Director Smith attending by teleconference, thus constituting a quorum. The Board noted that Director Smith could participate in the discussions but could not vote on matters before the Board at this meeting, pursuant to Section 551.127 of the Texas Government Code.

Also present were Shammarie Leon of Bob Leared Interests, Inc. ("Leared"), the District's Tax Assessor/Collector; Mike Kurzy, P.E., and Sherry Grant, P.E., of AEI Engineering, a Baxter & Woodman Company ("AEI"), the District's Engineer; Jennifer Rowe-Baker and Dan Cunningham of Regional Water Corporation ("Regional"), the District's Operator; and Dick Yale, representing Coats Rose, P.C. ("Coats Rose"), the District's Attorney. Attending the meeting by videoconference were Christopher Hsu and David Green of Coats Rose.

Director Lacy called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 22 October 2021. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 22 October 2021, as written.

Tax Assessor/Collector's Report

Next, Ms. Leon reviewed with the Board the Tax Assessor/Collector's Report for the month of October 2021. She reported that as of 31 October 2021 the District's 2020 tax levy was 97.8% collected and the 2021 tax levy was 8% collected. Ms. Leon requested the Board's approval of three checks written on the District's tax account and two transfers by wire as follows: a transfer of \$43,938.92 in revenues from the tax account to the District's General Fund and a transfer of \$30,000 to the Debt Service Fund. She pointed out that the District did not currently have any payment plans requested by customers of the District.

Aerial Photograph of District. Ms. Leon inquired if the Directors desired a new aerial photograph of the District (the "Photograph"). The Board responded in the affirmative.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) accept the Tax Assessor/Collector's Report; (2) authorize the disbursement of the sums from the District's tax account as listed in the Tax Assessor/Collector's Report; and (3) authorize the District's Tax Assessor/Collector to order the Photograph. A copy of the Tax Assessor/Collector's Report is attached hereto as an exhibit to these minutes.

Delinquent Tax Attorney's Report

Next, the Board reviewed the Delinquent Tax Attorney's Report dated 17 November 2021 as prepared by Larson & Weisinger, Attorneys at Law, and discussed the status of the legal action being taken against various delinquent tax accounts. A copy of the Delinquent Tax Attorney's Report is attached hereto as an exhibit to these minutes. After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Delinquent Tax Attorney's Report.

Bookkeeper's Report

Director Harton reviewed the Bookkeeper's Report prepared by Municipal Accounts & Consulting, L.P., the District's Bookkeeper. A copy of the Bookkeeper's Report is attached hereto. Director Harton noted the disbursements for payment at today's meeting as well as the fund balances for each of the accounts maintained by the District. She reviewed the District's Cash Flow Report, the Debt Service Payment Schedule, and a summary of Certificate of Deposit rates available to the District as included in the Bookkeeper's Report. Also reviewed was the Budget Comparison and the Maintenance and Repair Analysis for the period ending 31 October 2021. Director Harton remarked that as of 31 October 2021 the District had spent 73% of the budgeted amount for maintenance and repair of the District's facilities during the fiscal year ending 30 April 2022.

After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the District's bills.

Engineer's Report

Next, Ms. Grant presented the Engineer's Report, a copy of which is attached hereto as an exhibit to these minutes.

Strategic Plan for the District. The Board discussed certain items in the Strategic Plan. Ms. Grant reported that the District's Engineer would coordinate with Regional regarding the placement of pressure loggers for the water flow testing project. When the flow meters are received, she continued, AEI will coordinate with Regional to test the District's water distribution system in selected locations. Ms. Grant then stated that she had nothing new to report at this time regarding the Capital Improvement Plan or the SWOT Analysis.

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC ("Concentric") had purchased the equipment to install the de-ragger circuitry, commencing with Lift Station No. 2. She informed the Board that Concentric had determined that there was not sufficient space in the existing control panels to install the de-ragger circuitry (the "Circuitry"). Accordingly, she continued, Concentric will need to add a control panel to tie into the Circuitry, which will increase the estimated cost to install the Circuitry in each of the six lift pumps. Ms. Grant stated that the revised estimated cost for the lift pump programming is \$7,000 per pump for a total amount of \$42,000.

Wastewater Discharge Permit Renewal. Ms. Grant discussed the status of the renewal application (the "Application") for the District's discharge permit to be submitted to the Texas Commission on Environmental Quality by 1 December 2021. Ms. Grant reported that the Application was undergoing final internal review by AEI. She then submitted for the Board's approval the Core Data Form signature page to be signed by Director Lacy (the "Signature Page").

Water Plant / Inspection of Ground Storage Tanks (the "GST Inspection"). Ms. Grant reported that AEI was preparing the evaluation reports in connection with the annual GST Inspection that was conducted on 19 October 2021.

Televised Inspection of the District's Sanitary Sewer Lines (the "Sewer Inspection"). The Board discussed the status of the contract with Kleen Environmental, LLC ("Kleen") for the Sewer Inspection. Ms. Grant reported that Kleen had completed the televised inspection and AEI is reviewing the videos and inspection reports submitted by Kleen. Once the District's Engineer has confirmed that all of the sanitary sewer line segments have been inspected, she continued, Kleen will perform the cleaning of the sanitary sewer lift stations. Ms. Grant stated that AEI is reviewing the inspection videos to evaluate the condition of the sanitary sewer lines and to identify

any potential repairs. She noted that the District's Engineer found a collapsed sanitary sewer line located between manholes Nos. 260 and 258 that will need to be addressed.

Ms. Grant then reported that Kleen had submitted Pay Estimate No. 4 in the amount of \$13,728.35 for work completed on 761 linear feet of 6-inch sanitary sewer line; 7,085 linear feet of 8-inch sanitary sewer line; 474 linear feet of 12-inch sanitary sewer line; and 1,924 linear feet of 15-inch sanitary sewer line.

Water Lines Repairs Map. Ms. Grant reported that the District's Operator had provided AEI with the water line leak repair history for the District's water distribution system. The District's Engineer is updating its map of water line repairs in the District, she told the Board.

Tour of District Facilities. Ms. Grant discussed with the Directors the proposed special meeting of the Board to view the District's Water Plant and Wastewater Treatment Plant (the "Facility Tour"). After discussion, the Directors agreed to meet at the Seven Coves Clubhouse, 7021 Kingston Cove Lane, at 1:00 p.m. on Tuesday, 30 November 2021 to begin the Facility Tour.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) authorize payment of Pay Estimate No. 4 to Kleen; and (3) authorize Director Lacy to execute the Signature Page for the Core Data Form.

Proposed Second Amendment to the Agreement for Engineering Services

Mr. Kurzy submitted for the Board's review the proposed Second Amendment to the Agreement for Engineering Services between the District and AEI (the "Agreement"). He explained that the Second Amendment would address certain statutorily required amendments to the Agreement and would modify the hourly rate fee schedule for AEI personnel in the Agreement. The Directors deferred consideration of the Second Amendment to the Board's meeting on 17 December 2021.

Operator's Report

Next, Ms. Rowe-Baker presented the Operator's Report, a copy of which is attached hereto.

Water Plant Operations. Ms. Rowe-Baker reported that the billed-to-pumped water accountability ratio for October 2021 was 82.2% and that the 12-month water accountability average was 90.3%. She noted that 6,694,000 gallons of water were produced during the reporting period.

Wastewater Treatment Plant (the "Plant"). Ms. Rowe-Baker reported that the average daily flow at the Plant during October 2021 was 146,000 gallons per day, which is equal to 49% of the design capacity for the Plant.

Customer Appeals. Ms. Rowe-Baker reported that a District customer had requested an adjustment to their service account for the September 2021 billing period because of high water usage totaling approximately 150,000 gallons. She noted that water usage for that account had returned to the normal monthly usage of 1,000 gallons during October 2021. The Directors agreed to authorize a one-time adjustment to the service account (the "Adjustment") based on the average monthly water usage plus the District's charge relating to the groundwater pumpage fee levied by the San Jacinto Water Authority.

Mass Notification System. Ms. Rowe-Baker reported that the notice to the District's customers regarding the Mass Notification System was not yet finalized. Because of issues noted during the implementation, she continued, the launch of the Mass Notification System had been postponed.

Repairs to Water Service Tap Line at 2120 Gunwale Circle (the "Tap Line Repairs"). Ms. Rowe-Baker reported that Regional personnel were onsite this date to meet with the customer and commence work on the Tap Line Repairs. She noted that the affected area would have to be excavated by hand. She called the Board's attention to a photograph depicting the service tap line leak at 2120 Gunwale Circle, a copy of which is included with the Operator's Report. The Board noted that extensive landscaping had been installed over the water service tap line.

Proposal for Lift Station Cleaning. Ms. Rowe-Baker reviewed with the Board a proposal from Source Point Solutions, LLC to perform top and bottom cleaning of the District's sanitary sewer lift stations on a quarterly basis (the "Lift Station Cleaning"). A copy of the proposal is included with the Operator's Report. The Board noted that the cost for the Lift Station Cleaning would total \$18,750. In response to a question from the Board, Ms. Rowe-Baker stated that the Lift Station Cleaning could be postponed to the District's next annual budget cycle. The Directors then agreed to defer consideration of the Lift Station Cleaning until the District's fiscal year that commences on 1 May 2022 and concludes on 30 April 2023.

Proposal for Replacement of Fan Belts at Lift Station No. 2. The Board reviewed a proposal from Kentech, Inc. to replace the fan belts at Lift Station No. 2 at a cost of \$642, a copy of which is included with the Operator's Report. Ms. Rowe-Baker reported that this matter had already been addressed by the District's Operator at a cost of less than \$500.

Termination of Service. The Board reviewed the Delinquent Accounts List of customers of the District who were delinquent in submitting payments for water and sewer service. Ms. Rowe-Baker asked the Board's authorization for the termination of services to accounts that remained delinquent in the payment of invoices from the District for water and sanitary sewer services as of the cut-off date. Ms. Rowe-Baker assured the Board that the customers on the list had been provided with all of the notifications required pursuant to the District's Consolidated Rate Order. The Board observed that there were no persons present to protest their billing from the District. The

Directors then agreed to postpone the cut-off date to 30 November 2021 in view of the impending Thanksgiving holiday. Then the Board agreed to defer until January 2022 the termination of service to customers whose service accounts remain delinquent as of the due date in December 2021.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Operator's Report; (2) authorize the Adjustment as described above; and (3) terminate services to all of the accounts on the Delinquent List that remain unpaid on the revised cut-off date of 30 November 2021.

Director Smith departed from the meeting at this time to attend to a personal commitment.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Continuing Disclosure. Mr. Yale reported that the District's Annual Financial Report and Selected Financial Information for the fiscal year ended 30 April 2021 had been filed through the Electronic Municipal Market Access ("EMMA") website in fulfillment of continuing disclosure requirements under Securities and Exchange Commission Rule 15(c)2-1. A copy of the District's continuing disclosure filing is attached hereto as an exhibit to these minutes.

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

Secretary, Board of Directors

SEAL

Montgomery County Utility District No. 2
Meeting of 19 November 2021
Attachments

1. Tax Assessor/Collector's Report;
2. Delinquent Tax Attorney's Report;
3. Bookkeeper's Report;
4. Engineer's Report;
5. Operator's Report;
6. Continuing Disclosure submission.