

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

17 December 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 17th day of December 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, thus constituting a quorum.

Also present were Shammarie Leon of Bob Leared Interests, Inc. ("Leared"), the District's Tax Assessor/Collector; Larry Currey of Larson & Weisinger, Attorneys at Law, the District's Delinquent Tax Attorney; Sherry Grant, P.E., of AEI Engineering, a Baxter & Woodman Company ("AEI"), the District's Engineer; and Jennifer Rowe-Baker and Kevin Sibley of Regional Water Corporation ("Regional"), the District's Operator. Attending the meeting by videoconference were Dick Yale, Christopher Hsu, and David Green of Coats Rose, P.C., the District's Attorney.

Director Smith called the meeting to order in the absence of Director Lacy, who joined the meeting shortly thereafter.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 19 November 2021. Mr. Green called the Board's attention to a revision to be made to page 3 of the minutes. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 19 November 2021, as amended.

Tax Assessor/Collector's Report

Next, Ms. Leon reviewed with the Board the Tax Assessor/Collector's Report for the month of November 2021. She reported that the District's 2020 tax levy was 97.8% collected and the 2021 tax levy was 13.4% collected. Ms. Leon requested the Board's approval of four checks written on the District's tax account and two transfers by wire as follows: a transfer of \$29,591.95 in revenues from the tax account to the District's General Fund and a transfer of \$40,000 to the Debt Service Fund. She pointed out that the District did not currently have any payment plans requested by customers of the District.

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

Delinquent Tax Attorney's Report

Then Mr. Currey presented the Delinquent Tax Attorney's Report as prepared by Larson & Weisinger 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

Then, 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.

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

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. The Directors expressed their desire for AEI and Regional to prepare a prioritized list of projects from the Strategic Plan. Ms. Grant then stated that she had nothing new to report at this time regarding the Capital Improvement Plan or the SWOT Analysis.

Storm Sewer Outfall No. 17 / 7299 Kingston Cove Lane. Ms. Grant recalled that the District's Operator had received a complaint regarding bulkhead issues from the District customer who resides at 7299 Kingston Cove Lane. Based on the observations made during the tour of the District's facilities on 30 November 2021, she continued, there appears to be existing private improvements on each side of Outfall No. 17 that encroach within the 10-foot utility easement on the property line. According to the plans for Section 6 of the Harbour Town Club Subdivision, she told the Board, there is an existing 24-inch storm sewer located in the center of the utility easement with a grass overflow swale above it that expands the limits of the 10-foot utility easement. Ms. Grant recommended that the District's Operator perform a dye test or televised inspection of the storm sewer line connected with Outfall No. 17 (the "Inspection").

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC was ordering the materials and preparing the detailed design to install de-ragger circuitry in each of the six lift pumps, as discussed at the Board's meeting on 19 November 2021.

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 (the "Commission"). She informed the Board that AEI submitted the Application to the Commission on 24 November 2021.

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. She stated that the evaluation reports were undergoing internal review by AEI and would be presented at a future meeting of the Board.

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 cleaning of the lift stations. The District's Engineer is awaiting receipt of the as-built drawings and the final outstanding videos in order to verify that all sanitary sewer line segments have been inspected and the videos are complete, she told the Board. Once the outstanding items are received, she continued, AEI will close out the project. 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.

Ms. Grant then reported that Kleen had submitted Pay Estimate No. 5 in the amount of \$12,394.03 for work completed on 2,168 linear feet of 8-inch sanitary sewer line; 318 linear feet of 10-inch sanitary sewer line; 320 linear feet of 12-inch sanitary sewer line; 1,138 linear feet of 8-inch sanitary sewer line located inside The Landing; and the cleaning of four lift stations.

Water Lines Repairs Map. Ms. Grant reported that the District's Engineer is updating its map of water line repairs in the District.

Second Amendment to Agreement for Engineering Services. Ms. Grant presented for the Board's approval the Second Amendment to Engineering Services Agreement between the District and AEI (the "AEI Agreement"). She explained that the Second Amendment includes the 2022 Rate Schedule for District Engineering Services and provides for an annual increase in the Rate Schedule pursuant to the Employee Cost Index as published by the U.S. Bureau of Labor Statistics. She then called the Board's attention to the fees to be charged to the District pursuant to the Second Amendment for services rendered by the District's Engineer in connection with the sale of the bonds by the District. Ms. Grant noted that the Second Amendment would also modify the AEI Agreement to comply with Chapter 2274 of the Texas Government Code (Lonestar Infrastructure Protection Act Verification); and Section 2274.002 of the Texas Government Code (Firearms Discrimination Verification). The Board deferred consideration of the Second Amendment pending consultation with the District's Attorney.

Emergency Preparedness Plan ("EPP"). Ms. Grant noted that pursuant to Senate Bill 3 as approved by the 87th Texas Legislature (2021 Regular Session), the District is required to submit a new or updated EPP to the Commission that demonstrates its ability to provide emergency operations during an extended power outage that continues for more than 24 hours. She noted that the updated EPP must be submitted to the Commission by 1 March 2022.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) authorize the Inspection of Outfall No. 17; (3) authorize payment of Pay Estimate No. 5 to Kleen; and (3) authorize the District's Engineer to update the EPP and submit same to the Commission.

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 November 2021 was 89.8% and that the 12-month water

accountability average was 90.2%. She noted that 5,874,000 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 November 2021 was 139,000 gallons per day, which is equal to 46% of the design capacity for the Plant.

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 Board agreed to defer until January 2022 the termination of service to customers whose service accounts remain delinquent as of the due date in view of the impending Christmas holiday.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Operator's Report.

2022 Annual Calendar

Mr. Yale presented the 2022 Annual Calendar for the District, a copy of which is attached hereto. The Directors agreed to review the 2022 Annual Calendar.

Reschedule Board of Directors Meeting

The Directors then considered rescheduling the 28 January 2022 Board meeting in view of the Mid-Winter Conference of the Association of Water Board Directors – Texas to be held on 28 and 29 January 2022. After discussion, the Directors agreed to meet on Friday, 21 January 2022.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Directors Election (7 May 2022). Mr. Yale reminded the Board that the terms of Directors Williams, Harton, and Crenshaw would expire in May 2022, and he said that Coats Rose was preparing a memorandum concerning the timeline for the District's 7 May 2022 Directors Election. He added that Coats Rose would accept candidates' Applications for a Place on the Ballot for the Directors Election beginning on 19 January 2022 through 18 February 2022. Mr. Yale recommended that the District participate in the 7 May 2022 Joint Election with Montgomery County (the "County"). The Directors expressed their desire for the District's Attorney to inform the County's Elections

Administrator of the District's intention to participate in the Joint Election conducted by the County for the District's 7 May 2022 Directors Election.

Executive Session

The Board went into executive session, pursuant to the Open Meetings Act, Section 551.071, Government Code, at 10:44 a.m. to discuss matters relating to possible litigation and other matters. The Board returned to open session at 11:37 a.m. but took no additional action, other than authorizing Directors Lacy and Smith to meet with the District's Operator.

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 17 December 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; and
6. Annual Calendar for 2022.