

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

28 January 2022

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 regular session, open to the public at 9:00 a.m. on the 28th day of January 2022, 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 Harton attending by videoconference, 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; Mike Kurzy, 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 or teleconference were Sherry Grant, P.E., of AEI; and Dick Yale, Christopher Hsu, and David Green of Coats Rose, P.C., the District's Attorney.

Director Lacy called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meetings of 30 November 2021 and 17 December 2021. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meetings of 30 November 2021 and 17 December 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 December 2021. She reported that the District's 2021 tax levy was 66.7% collected as of 31 December 2021 and 85.6% collected as of this date. 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 \$291,691 in revenues from the tax account to the District's General Fund and a transfer of \$270,000 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

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. The Board reviewed in detail the Budget Comparison for December 2021, a copy of which is included with 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

Mr. Kurzy 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. Mr. Kurzy reported that the District's Engineer had received the flow meters and will coordinate with Regional regarding the placement of pressure loggers for the water flow testing project. He then stated that he 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. Mr. Kurzy reported that AEI had reviewed the video inspection report provided by the District's Operator on the 24-inch storm sewer line at Outfall No. 17 (the "Storm Sewer Line"). The inspection report indicated a joint separation at the location of the reported sinkhole near Outfall No. 17, he told the Board. He called the Board's attention to an aerial photograph depicting the location of the Storm Sewer Line within the 10-foot utility easement centered on the shared property line of 7299 Kingston Cove Lane and 7303 Waterline Way (the "Easement"). A copy of the aerial photograph is included with the Engineer's Report. As previously mentioned to the Board, said Mr. Kurzy, there appears to be existing private improvements on each side of Outfall No. 17 that encroach on the Easement.

Mr. Kurzy remarked that a sinkhole was developing under the edge of the concrete patio of the residence at 7303 Waterline Way and that further erosion could possibly undermine the residence. He expressed his view that the Board could determine that an emergency situation exists and undertake repairs to Outfall No. 17 (the "Outfall Repairs") on the basis of negotiated bids pursuant to §49.274 of the Texas Water Code. Mr. Yale remarked that the District's Engineer would need to transmit a letter to the Texas Commission on Environmental Quality (the "Commission") requesting approval to perform the Outfall Repairs on the basis of negotiated bids, pursuant to §49.274.

A discussion ensued regarding the proposed Outfall Repairs. Mr. Kurzy explained that the Storm Sewer Line could be lined with cured-in-place plastic pipe (called "CIPP"), which would seal the Storm Sewer Line and solve the immediate problem. He explained that the CIPP repair method would require the construction of a coffer dam at Outfall No. 17 and pumping down the water level prior to installing the CIPP liner. Mr. Kurzy stated that in addition to installing the CIPP liner, the void around the Storm Sewer Line would have to be filled.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) authorize AEI to proceed with the Outfall Repairs on an emergency basis without the necessity of advertising for competitive bids, but with notice and application to the Commission pursuant to §49.274; and (2) authorize the District's Engineer to transmit a letter to the Commission requesting approval to perform the Outfall Repairs on the basis of negotiated bids, pursuant to §49.274.

Mr. Yale stated that the District's Attorney would prepare letters to the owners of the residences at 7299 Kingston Cove Lane and 7303 Waterline Way, providing notice that (1) the District intends to undertake the Outfall Repairs; and (2) the private

improvements that encroach on the Easement might be adversely affected by the Outfall Repairs.

Lift Stations / Ragging Issues. Mr. Kurzy reported that Concentric Integration, LLC was approximately 75% complete with preparing the detailed design to install de-ragger circuitry in each of the six lift station pumps. He noted that the components were expected to be ordered this week. Once AEI receives the lead time for the equipment, he continued, the installation of the de-ragger circuitry will be scheduled.

Wastewater Discharge Permit Renewal. Mr. Kurzy discussed the status of the application (the "Application") submitted to the Commission for renewal of the District's waste discharge permit. He informed the Board that the Commission had received the Application and declared it to be administratively complete. Mr. Kurzy stated that AEI had also provided the Commission with the affidavits of publication, proof of public viewing, and copies of all advertisements relating to the Application.

Inspection of 300,000-gallon Ground Storage Tank – East at Water Plant No. 1 (the "East GST"). Mr. Kurzy reviewed with the Board an Evaluation Report prepared by AEI in connection with the "hatch" inspection conducted on 19 October 2021 of the East GST. A copy of the Evaluation Report is attached hereto. Mr. Kurzy stated that the East GST was in good condition overall. He added that AEI recommends (1) maintaining the one-year evaluation schedule on the East GST; and (2) considering the replacement the exterior sealant material on the concrete foundation during the next major construction project.

Inspection of 300,000-gallon Ground Storage Tank – West at Water Plant No. 1 (the "West GST"). Mr. Kurzy reviewed with the Board an Evaluation Report prepared by AEI in connection with the "hatch" inspection conducted on 19 October 2021 of the West GST. A copy of the Evaluation Report is attached hereto. Mr. Kurzy stated that the West GST was in good overall condition. He stated that AEI recommends (1) repairing the gasket material on all three roof access hatches during the next major construction project; (2) considering the draining of the West GST at the next evaluation or using a remote operating vehicle to further inspect dark spots on the interior wall panels; and (3) maintaining the present one-year evaluation schedule.

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. Mr. Kurzy reported that Kleen had completed the televised inspection and cleaning of the lift stations. The District's Engineer is reviewing the videos from the Sewer Inspection to evaluate the condition of the sanitary sewer lines and to identify any potential repairs, he told the Board.

Mr. Kurzy then reported that Kleen had submitted Pay Estimate No. 6 and FINAL in the amount of \$15,092.82 for work completed on 547 linear feet of 6-inch sanitary sewer line; 2,025 linear feet of 8-inch sanitary sewer line; 1,241 linear feet of 12-inch sanitary sewer line, 440 linear feet of 15-inch sanitary sewer line, 303 linear feet of

8-inch line inside The Landing; 160 linear feet of heavy cleaning of 6-inch sanitary sewer line; and release of retainage. A copy of Pay Estimate No. 6 and FINAL is included with the Engineer's Report. Then Mr. Kurzy submitted for the Board's review and approval the Certificate of Completion and the Certificate of Acceptance for the Sewer Inspection project. Mr. Kurzy pointed out to the Board that the one-year warranty period commenced on 14 January 2022 and would conclude on 14 January 2023.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize payment of Pay Estimate No. 6 and FINAL; (2) approve the Certificate of Completion; and (3) accept the Sewer Inspection project and authorize execution of the Certificate of Acceptance for same. Copies of the Certificate of Completion and the Certificate of Acceptance are attached hereto as an exhibit to these minutes.

Water Lines Repairs Map. Mr. Kurzy reported that the District's Engineer is updating its map of water line repairs in the District. He commented that AEI was coordinating with the District's Operator to clarify the repair data and leak categories.

Second Amendment to Agreement for Engineering Services. Mr. Kurzy presented for the Board's approval the Second Amendment to Engineering Services Agreement between the District and AEI (the "Second Amendment"). He noted that the Second Amendment had been revised pursuant to the discussion at the Board's meeting on 17 December 2021 with respect to the fees associated with the sale of the District's bonds. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Second Amendment as revised and to authorize Director Lacy to execute same. A copy of the Second Amendment is attached hereto and shall be considered to be part of these minutes.

Emergency Preparedness Plan ("EPP"). Mr. Kurzy stated that the District's Engineer was updating the EPP and would submit same to the Commission by 1 March 2022 pursuant to Senate Bill 3 as approved by the 87th Texas Legislature (2021 Regular Session).

Proposed Emergency Water Interconnection (the "Interconnection") with Far Hills Utility District ("Far Hills"). Mr. Kurzy reviewed with the Board the Engineer's Preliminary Opinion of Project Costs (the "Cost Estimate") and an exhibit denoting the location of the proposed Interconnection (the "Exhibit") as submitted by Langford Engineering, Inc. ("Langford"), the engineer for Far Hills. Copies of the Cost Estimate and the Exhibit are included with the Engineer's Report. Mr. Kurzy remarked that Tim Hardin, P.E., of Langford will present the Cost Estimate and the Exhibit to the board of directors of Far Hills at their meeting on 10 February 2022. The Directors noted that, according to the Cost Estimate, the projected cost for the Interconnection is \$638,742.88.

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

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 December 2021 was 77.9% and that the 12-month water accountability average was 90.5%. She noted that 4,279,000 gallons of water were produced during the reporting period. A discussion ensued regarding the accountability ratio. Mr. Kurzy remarked that a monthly accountability ratio of less 80% would be a cause for concern. He stated that "smart" electronic water meters on the residential connections would register the usage of water at all flow rates more accurately than the existing analog water meters.

Wastewater Treatment Plant (the "Plant"). Ms. Rowe-Baker reported that the average daily flow at the Plant during December 2021 was 133,000 gallons per day, which is equal to 44.3% of the design capacity for the Plant.

Mass Notification System. Ms. Rowe-Baker reported that the Mass Notification System was operational. She stated that Regional would transmit a "welcome" message to the District's customers via SMS text message that also says that they may "opt out" of receiving future alerts and messages from the District. After discussion, the Board authorized Regional to transmit the text message to the District's customers as described above.

Storm Sewer Outfall No. 35 / 5334 Montego Cove. Ms. Rowe-Baker reported that a sinkhole was developing above Outfall No. 35. In response to a question from Director Lacy, Mr. Kurzy stated that the repairs to Outfall No. 35 could be performed in conjunction with the Outfall Repairs as discussed above.

Lift Station No. 2. The Board reviewed a proposal from Kentech, Inc., ("Kentech") to replace the block heater and battery in Lift Station No. 2 (collectively, the "Heater Replacement") at a cost of \$845. A copy of the proposal is included with the Operator's Report.

Potential Water Line Leak / 7299 Kingston Cove Lane. Ms. Rowe-Baker reported that the District's Operator investigated and determined that there was no leak in the District's water line at this location.

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.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Operator's Report; (2) authorize the District's Operator to notify Kentech to proceed with the Heater Replacement; and (3) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date.

Attorney's Report

Mr. Yale presented the Attorney's Report.

Directors Election. Mr. Yale discussed with the Board the timeline for the District's 7 May 2022 Directors Election (the "Directors Election").

Order Calling Directors Election. Mr. Yale distributed an ORDER CALLING DIRECTORS ELECTION (the "Election Order") for the Directors Election. Mr. Yale explained that the Board was required to adopt the Election Order prior to 18 February 2022 pursuant to the requirements of the Texas Election Code, as amended. He then told the Board that the deadline for submission of an application for a position on the District's ballot was 5:00 p.m. on 18 February 2022 and the deadline for filing as a write-in candidate was 5:00 p.m. on 22 February 2022. After review, upon a motion duly made and seconded, the Board voted unanimously to adopt the Election Order, subject to any revisions to the polling locations made by Montgomery County. A copy of the Election Order is attached to these minutes as an exhibit.

Joint Election Agreement and Election Services Agreement with Montgomery County. Mr. Yale presented a Joint Election Agreement and an Election Services Agreement for the Directors Election (the "Joint Election Agreements") with Montgomery County (the "County"). He reminded the Board that with a joint election, the County would essentially be conducting the Directors Election for the District. He further explained that when a registered voter of the District went to vote in the joint election, the ballot would be coded to recognize that the voter was allowed to vote in the joint election and the District's candidates would automatically be included on the screen of the electronic voting equipment. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Joint Election Agreement and the Election Services Agreement as presented. Copies of the Joint Election Agreement and the Election Services thus approved are attached hereto.

Eminent Domain Reporting. Mr. Yale reported that on 14 January 2022 the District's Attorney had filed with the Texas Comptroller the annual report for the District containing certain information relating to the District's eminent domain authority pursuant to Senate Bill 1812 as approved by the 84th Texas Legislature – Regular Session 2015. A copy of the eminent domain filing is attached hereto.

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 28 January 2022
Attachments

1. Tax Assessor/Collector's Report;
2. Delinquent Tax Attorney's Report;
3. Bookkeeper's Report;
4. Engineer's Report;
5. Evaluation Report / East Ground Storage Tank;
6. Evaluation Report / West Ground Storage Tank;
7. Certificate of Completion and Certificate of Acceptance / Sanitary Sewer Inspection;
8. Second Amendment to Agreement for Engineering Services;
9. Operator's Report;
10. ORDER CALLING DIRECTORS ELECTION;
11. Joint Election Agreement;
12. Election Services Agreement; and
13. Eminent Domain filing.