

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

25 February 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 25th day of February 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, thus constituting a quorum.

Also present were Shammarie Leon of Bob Leared Interests, Inc. ("Leared"), the District's Tax Assessor/Collector; Sherry Grant, P.E., of AEI Engineering, a Baxter & Woodman Company ("AEI"), the District's Engineer; Jennifer Rowe-Baker and Kevin Sibley of Regional Water Corporation ("Regional"), the District's Operator; and the following residents of the District: John and Kim Donoghue. Attending the meeting by videoconference were 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 meeting of 28 January 2022. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 28 January 2022, as written.

### **Tax Assessor/Collector's Report**

Next, Ms. Leon reviewed with the Board the Tax Assessor/Collector's Report for the month of January 2022. She reported that the District's 2021 tax levy was 93.1% collected. Ms. Leon requested the Board's approval of five checks written on the District's tax account and two transfers by wire as follows: a transfer of \$147,893.06 in

revenues from the tax account to the District's General Fund and a transfer of \$120,000 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.

### **Resolution Concerning Tax Exemptions for 2022**

Next, the Board considered the 2022 residence homestead exemptions for the District. Mr. Yale reported that for 2021, the Board had granted a \$10,000.00 exemption for individuals who are disabled or 65 years of age or older and a 20% general residential homestead exemption. After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following exemptions for 2022 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$10,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

### **Agreement for Delinquent Tax Collection Services**

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of 20% on all 2021 taxes, penalties, and interest delinquent on 1 July 2022 for real property (and on 1 April 2022 for personal property), said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he continued, the Board must first confirm its agreement (the "Agreement") for delinquent tax attorney services with Larson & Weisinger, Attorneys at Law. He explained further that under the Agreement, the amount paid by the District to the District's Delinquent Tax Attorney for the collection of delinquent 2021 taxes would be equal to the additional collection charge as approved by the Board on all 2021 taxes, penalties, and interest delinquent on the applicable dates, up to the statutory maximum of 20%, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm its Agreement with the District's Delinquent Tax Attorney.

### **Collection Charge on all Delinquent 2021 Taxes, Penalties, and Interest**

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2021 taxes, penalties, and interest that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code. A copy of the CERTIFICATE

OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

### **Delinquent Tax Attorney's Report**

The Directors then reviewed Delinquent Tax Attorney's Report 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**

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 closely reviewed the Budget Comparison for January 2022 and noted that certain "Expense" items for the maintenance and repair of the District's facilities were over-budget for the nine-month period.

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 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 reported that the District's Engineer had transmitted a letter to the Texas Commission on Environmental Quality (the "Commission") requesting approval to proceed with emergency repairs to Outfall No. 17 (the "Outfall Repairs") on the basis of negotiated bids pursuant to §49.274 of the Texas Water Code, as authorized at the Board's meeting on 28 January 2022. She called the Board's attention to a letter dated 23 February 2022 from Dan Finnegan of the Commission, which states that the District is authorized to proceed with the Outfall Repairs on the basis of negotiated bids. A copy

of the letter is included with the Engineer's Report. Ms. Grant then reviewed with the Board the Preliminary Opinion of Probable Cost for the Outfall Repairs as prepared by AEI, a copy of which is included with the Engineer's Report. She explained that the Preliminary Opinion of Probable Cost was calculated on the basis of using the cured-in-place pipe lining repair method and injecting polymer to fill the sinkhole. The Board noted that the estimated cost for the Outfall Repairs was \$96,000. Ms. Grant then reported that AEI's surveying subconsultant had completed its survey earlier this week to prepare a boundary survey of the Outfall Repairs site and would begin staking the limits of the 10-foot utility easement centered on the shared property line of 7299 Kingston Cove Lane and 7303 Waterline Way (the "Easement") during the following week. Mr. Yale reported that the District's Attorney had transmitted letters to the owners 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 (the "Improvements") might be adversely affected by the Outfall Repairs. Copies of said letters are attached hereto as exhibits to these minutes.

A discussion ensued regarding the Outfall Repairs. Mr. Sibley and Ms. Grant responded to questions from John and Kim Donoghue regarding the Outfall Repairs. Mr. Sibley noted that although the District is responsible for the cost of the repairs to Outfall No. 17, the owners of the residences at 7299 Kingston Cove Lane and 7303 Waterline Way will each be responsible for any repairs to their respective Improvements that are located in the Easement.

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC ("Concentric") had completed the detailed design to install de-ragger circuitry in each of the six lift station pumps. She stated that Concentric has commenced programming of the Programmable Logic Controllers. Once the panel components have been received, she continued, Concentric will begin building the panels and will schedule the installation of same in the Lift Stations.

Wastewater Discharge Permit Renewal. Ms. Grant discussed the status of the application (the "Application") submitted to the Commission for renewal of the District's waste discharge permit. She reported that the Application is currently undergoing technical review by the Commission.

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 called the Board's attention to the as-built drawing for the Sewer Inspection project, a copy of which is included with the Engineer's Report. She stated that AEI was evaluating the condition of the sanitary sewer lines to identify any potential repairs. Ms. Grant added that the District's Engineer anticipates presenting an evaluation report on the Sewer Inspection with estimated repairs costs at the Board's meeting on 25 March 2022.

Water Lines Repairs Map. Ms. Grant reviewed with the Board the updated map of water line repairs in the District, a copy of which is included with the Engineer's Report. She pointed out to the Board the location of repairs to the District's water distribution system that had occurred since the map was last updated.

Emergency Preparedness Plan ("EPP"). Ms. Grant 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. Ms. Grant stated that she had nothing new to report at this time regarding the Interconnection.

Clearlake Asset Management, LLC ("Clearlake"). Ms. Grant reported that the District received an inquiry from WGA Consulting Engineers ("WGA") regarding the District's ability to provide water supply capacity in the quantity of 160,000 gallons per day ("gpd") for a proposed office building development by Clearlake. A copy of the letter from WGA is included with the Engineer's Report. Ms. Grant explained that Clearlake has applied to the Commission for permission to install a new public water supply system for the proposed office building development located at F.M. 1097, Willis, Texas. As part of the application process, she continued, Clearlake is required to contact all public utility systems within two miles of the proposed service area boundaries to determine the ability to provide service. Ms. Grant stated that the District likely has water supply capacity to serve the Clearlake development, but a feasibility study would be necessary to provide confirmation. The Board deferred further discussion on this matter to a future meeting of the Board.

Water Well Performance Testing. Ms. Grant reviewed with the Board the Performance Testing Reports dated prepared by G-M Inspection Services, Inc. ("G-M") in connection with testing conducted on 21 January 2022 of the District's Water Wells Nos. 1 and 3. Copies of the Performance Testing Reports are included with the Engineer's Report. Ms. Grant noted that according to G-M, the water wells were operating in good condition at this time.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; and (2) authorize the District's Engineer to proceed with the Outfall Repairs as described above.

## **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 January 2022 was 71.2% and that the 12-month water

accountability average was 85.6%. She noted that 6,1456,000 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 January 2022 was 133,000 gpd, which is equal to 44% of the design capacity for the Plant.

Customer Appeals. Ms. Rowe-Baker reported that a District customer was appealing the backcharge of \$1,643 that was applied to their service account in connection with a broken water service line. After discussion, the Directors declined to take any action on this matter.

Mass Notification System. Ms. Rowe-Baker reported on the status of the Mass Notification System. She informed the Board that on 3 February 2022 Regional transmitted a winter weather advisory (the "Advisory") to the District's customers through the Mass Notification System. A copy of the Advisory message is included with the Operator's Report.

Lift Station No. 2. Ms. Rowe-Baker reported that Kentech, Inc. had completed the replacement of the heater and battery in Lift Station No. 2. She added that Neil Technical Services, Corp. ("NTS") had received the replacement unit for Lift Pump No. 2 and would schedule the installation of same.

Wastewater Treatment Plant / Lift Pump No. 2. Ms. Rowe-Baker reported on the replacement of Lift Pump No. 2 by NTS as approved at the Board's meeting on 24 September 2021. She stated that the replacement pump had been delivered and that NTS would schedule the installation of same.

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; and (2) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date.

## **Renewal of Insurance Coverage**

The Directors briefly discussed matters relating to the renewal of the District's insurance policies (the "Insurance Policies"), which expire on 1 May 2022. Mr. Yale

reported that Arthur J. Gallagher & Co. was preparing a proposal for the renewal of the Insurance Policies.

### **Cybersecurity**

The Board discussed matters relating to the security of the computerized control systems for the District's facilities in view of the recent invasion of Ukraine by Russia. The Directors expressed concern that Russia could possibly launch cyber-attacks on internet-connected control systems for public water and wastewater treatment systems in the United States.

### **Attorney's Report**

Mr. Yale presented the Attorney's Report.

Directors Election. The Board discussed matters relating to the 7 May 2022 Directors Election required for the District. Mr. Yale reported that as of this date the candidates to be listed on the ballot for the referenced election were unopposed and accordingly the District's Attorney would prepare an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE for adoption at the Board's meeting on 25 March 2022.

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

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Secretary, Board of Directors

SEAL

Montgomery County Utility District No. 2  
Meeting of 25 February 2022  
Attachments

1. Tax Assessor/Collector's Report;
2. RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION;
3. Certificate of Board Action for 20% additional charge on delinquent taxes;
4. Delinquent Tax Attorney's Report;
5. Bookkeeper's Report;
6. Engineer's Report;
7. Letter to owner of property at 7303 Waterline Way;
8. Letter to owner of property at 7299 Kingston Cove Lane; and
9. Operator's Report.