

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

25 March 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 March 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; 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 Lacy called the meeting to order.

Approval of Minutes

First, the Board considered approval of the minutes of the meeting of 25 February 2022. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 25 February 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 February 2022. She reported that the District's 2021 tax levy was 94.9% 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 \$10,182.27 in

revenues from the tax account to the District's General Fund and a transfer of \$10,000 to the Debt Service Fund. She pointed out that the District did not currently have any payment plans requested by customers of the District.

Ms. Leon mentioned that an owner of property in the District had used a payment application incorrectly and had inadvertently sent her payment of 2021 property taxes due to the District to the wrong address. If the taxpayer provides Leared with documentation regarding the misdirected payment, said Ms. Leon, the District's Tax Assessor/Collector will not charge penalty and interest to her tax account for late payment.

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. ("Municipal Accounts"), 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 also reviewed the Budget Comparison for February 2022 and discussed the proposed Operating Budget for the District for the fiscal year ending 30 April 2023. Director Harton stated that she would confer with Charles LaConti of Municipal Accounts regarding the tardiness of certain invoices being submitted to the District's Bookkeeper.

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. The Board discussed matters relating to the emergency repairs to Outfall No. 17 (the "Outfall Repairs") to be performed by T. Gray Utility/AIMS, LLC (called "AIMS"). Ms. Grant reported that on 28 February 2022 AEI's surveying subconsultant had staked the limits of the 10-foot utility easement that is centered on the shared property line of 7299 Kingston Cove Lane and 7303 Waterline Way (the "Utility Easement"). She directed the Board's attention to photographs of the easement stakes as placed by the surveying subconsultant, as well as photographs of the improvements that encroach on the Utility Easement (the "Improvements"). Copies of the photographs are included with the Engineer's Report. Ms. Grant stated that the District's Engineer had provided the contracts for the Outfall Repairs to AIMS and requested that the executed documents be returned to AEI by 24 March 2022. She stated that AIMS expects to mobilize during the week of 4 April 2022 to complete the cured-in-place pipe lining ("CIPP") of the 24-inch storm sewer outfall. Once the CIPP liner is complete, she continued, URETEK ICR Gulf Coast will mobilize and inject polymer to fill the sinkholes that developed at Outfalls Nos. 17 and 35. In response to a question from the Board, Mr. Yale recommended that the District ask the owners of the tracts located at 7299 Kingston Cove Lane and 7303 Waterline Way to execute respective Consent to Encroachment instruments relating to the Improvements that encroach on the Utility Easement. If the property owners decline to execute the Consent to Encroachment instruments, he continued, the District could document the encroachment of the Improvements of the Utility Easement through an instrument that would be similar to a plat.

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. Ms. Grant remarked that Concentric is awaiting delivery of certain control panel components, particularly the enclosures which are estimated to arrive in two to three weeks.

Wastewater Discharge Permit Renewal. Ms. Grant discussed the status of the application (the "Application") submitted to the Texas Commission on Environmental Quality (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 matters relating to the contract with Kleen Environmental, LLC for the Sewer Inspection. Ms. Grant submitted to and reviewed with the Board the Preliminary Sanitary Sewer Evaluation Report as prepared by AEI (the "Evaluation Report") in connection with the Sewer Inspection. A copy of the Evaluation Report is attached hereto as an exhibit to these minutes. Ms. Grant stated that the District's Engineer prepared a preliminary opinion of probable cost in the amount of \$992,600 for the rehabilitation of all the sanitary sewer lines in the District (the "Sewer Repairs"). She explained that the Sewer Repairs had been classified in the Evaluation Report as Priority I (Emergency), Priority II (Immediate), Priority III (Non-immediate), and Priority IV (re-televised in 5 to 10 years). Ms. Grant recommended that the sanitary sewer line segments classified as Priority I be rehabilitated first. She noted that the estimated cost for the Priority I Sewer Repairs was \$183,800. If the Board chooses, she continued, all of the sanitary sewer line segments classified as Priority I and II, plus the manholes (classified as Priority II), could be rehabilitated as one project at an estimated cost of \$645,900. Ms. Grant added that the estimated cost to rehabilitate all of the sanitary sewer line segments and manholes classified as Priority I, II, and III totaled \$1,002,200. A discussion ensued regarding the proposed Sewer Repairs. Ms. Grant stated that she would revise the schedule in the Evaluation Report to prioritize the most urgent of the Priority I sanitary sewer lines to be rehabilitated and present an updated report at the Board's meeting on 22 April 2022.

Emergency Preparedness Plan ("EPP"). Ms. Grant stated that on 28 February 2022 the District's Engineer had submitted the EPP to the Commission.

Proposed Emergency Water Interconnection (the "Interconnection") with Far Hills Utility District ("Far Hills UD"). Ms. Grant reported that the District's Engineer had requested an update from Langford Engineering, Inc. ("Langford"), the engineer for Far Hills UD, regarding the discussion at the meeting of the board of directors of Far Hills MUD held on 10 February 2022, at which meeting the proposed Interconnection exhibit and cost estimate were presented. According to Tim Harding, P.E., of Langford, she told the Board, the Far Hills UD directors reviewed the information but took no formal action. Mr. Harding also informed her that the directors of Far Hills UD were generally agreeable to considering an Interconnection with the District provided that both parties could provide the other with the necessary water in the event of an emergency, said Ms. Grant. She added that Langford had not completed an engineering study related to Far Hills UD providing water through the Interconnection to the District. The Directors expressed their desire to continue the discussions with Far Hills UD regarding the proposed Interconnection and to obtain a clarification of the cost for same.

Clearlake Asset Management, LLC ("Clearlake"). The Board discussed the 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 (the "Office Development"). Ms. Grant called the Board's attention to an exhibit map denoting the location of the proposed Office Development located at F.M. 1097, Willis, Texas, in relation to nearby

water districts. A copy of the exhibit map is included with the Engineer's Report. Ms. Grant recalled that Clearlake had applied to the Commission for permission to install a new public water supply system for the Office Development and as part of the application process was required to contact all public utility systems within two miles of the proposed service area boundaries to determine the ability to provide service. Mr. Yale remarked that the inquiry from Clearlake is likely to be a pro-forma request for service. After discussion, the Directors expressed their desire for the District's Engineer to transmit a letter to Clearlake stating that the District could not provide water service to the Office Development.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) approve the contract with AIMS for the Outfall Repairs; and (3) authorize the District's Engineer to transmit the letter to Clearlake 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 February 2022 was 78.6% (the "Accountability Ratio") and that the 12-month water accountability average was 90.9%. She noted that 4,888,000 gallons of water were produced during the reporting period. A discussion ensued regarding the Accountability Ratio. The Board then directed Ms. Rowe-Baker to present recommendations at the Board's meeting on 22 April 2022 for measures to improve the Accountability Ratio.

Wastewater Treatment Plant (the "Plant"). Ms. Rowe-Baker reported that the average daily flow at the Plant during February 2022 was 143,000 gallons per day, which is equal to 48% of the design capacity for the Plant.

Mass Notification System. Ms. Rowe-Baker reported on the status of the Mass Notification System. She noted that 908 individuals were currently enrolled to receive messages through the Mass Notification System.

Replacement of Lift Pumps. Ms. Rowe-Baker reported that Neil Technical Services, Corp. had completed the replacement of lift pump No. 2 at Lift Station No. 2 and lift pump No. 2 at the Plant Lift Station with new Flgyt units.

Lift Station Cleaning / Source Point Solutions, LLC ("SPS"). Ms. Rowe-Baker reviewed with the Board the proposal from SPS to perform (1) the top cleaning of the District's four lift stations three times each year; and (2) the bottom cleaning of each lift station once each year at a total cost of \$18,750 (the "Lift Station Cleaning"). A copy of the proposal is included with the Operator's Report.

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) accept the proposal from SPS for the Lift Station Cleaning; and (3) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date.

Draft Operating Budget for Fiscal Year ending 30 April 2023

Next, Director Harton reviewed with the Board the draft Operating Budget for the District for the fiscal year ending 30 April 2023 (the "Budget"), a copy of which is attached hereto. A discussion ensued regarding the Budget. Director Lacy asked Director Harton to look into possible engineering expenses that could possibly be moved to Capital Expenditures. Director Lacy then requested that the District's Operator provide the Board with the historical water usage for the District. The Directors then deferred adoption of the Budget to the Board's meeting on 22 April 2022.

Confirm Engagement of Auditor

Mr. Yale discussed with the Board the need to confirm the engagement of McCall Gibson Swedlund Barfoot, PLLC ("McCall") for preparation of the District's annual financial report for the fiscal year ending 30 April 2022 (the "Audit Report"). He recalled that on 24 March 2017 the Board had accepted a proposal from McCall to audit the financial statements of the District for each fiscal year on a continuing basis, commencing with the fiscal year ending 30 April 2017. Mr. Yale then submitted for the Board's review and approval a copy of the Audit Continuance Letter dated 25 March 2022 from McCall. He pointed out to the Board that McCall estimated that the fees to be charged to the District for the preparation of the Audit Report for the fiscal year ending 30 April 2022 would range from \$14,000 to \$15,000.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Audit Continuance Letter and authorize McCall to prepare the Audit Report for the fiscal year ending 30 April 2022. A copy of the Audit Continuance Letter is attached hereto as an exhibit to these minutes.

Reschedule Board of Directors Meeting

The Directors then considered rescheduling the 27 May 2022 Board meeting in view of the Memorial Day holiday. No action was taken on this matter.

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

Attorney's Report

Mr. Yale presented the Attorney's Report.

Approval of Certified Agenda. The Directors then considered approval of the certified agenda for the executive session of 17 December 2021. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the certified agenda for the executive session of 17 December 2021, as written.

Order Declaring Unopposed Candidates Elected to Office. The Board reviewed an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE in connection with the 7 May 2022 Directors Election. Mr. Yale explained that according to the Texas Election Code, the District has the authority to (1) declare unopposed candidates to be elected to office because Coats Rose, the District's Attorney, has certified in writing that the candidates to be listed on the ballot for the referenced election are unopposed; and (2) cancel the election set for 7 May 2022. A copy of the Certificate Regarding Unopposed Candidates executed by the District's Attorney is attached hereto as an exhibit. Upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto and shall be considered to be a part of these minutes.

Texas Comptroller / Special Purpose District Report. Mr. Yale reported that on 16 March 2022 the District's Attorney had filed the Special Purpose District Report (the "SPD Report") with the Texas Comptroller's Office pursuant to Senate Bill 625 as approved by the 85th Texas Legislature (Regular Session – 2017). He reviewed with the Board the SPD Report Confirmation and Summary, copies of which are attached hereto as exhibits 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 25 March 2022
Attachments

1. Tax Assessor/Collector's Report;
2. Delinquent Tax Attorney's Report;
3. Bookkeeper's Report;
4. Engineer's Report;
5. Preliminary Sanitary Sewer Evaluation Report;
6. Operator's Report;
7. Draft Operating Budget;
8. Audit Continuance Letter;
9. Certificate Regarding Unopposed Candidates;
10. ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE; and
11. Special Purpose District Report.