

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

23 September 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 23rd day of September 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 the exception of Director Harton, 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 Cole Konopka of Coats Rose, P.C. ("Coats Rose"), the District's Attorney. Attending by videoconference were Dick Yale 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 26 August 2022. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 26 August 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 August 2022. She reported that the District's 2021 tax levy was 98.4% collected as of 31 August 2022. Ms. Leon requested the Board's approval of four checks written on the District's tax account, said checks including the transfer of \$963.92 in

revenues from the tax account to the District's General Fund. She pointed out that the District did not currently have any payment plans for delinquent taxes requested by customers of the District.

Director Smith informed the Board that a District customer had spoken highly of the customer service provided by Ms. Leon.

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.

### **Transfer of Uncollectible Accounts**

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. Ms. Leon informed the Board that Leared was recommending the transfer of two Accounts to the Uncollectible Tax Roll. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the Uncollectible Tax Roll.

### **Hearing on Proposed Tax Rate**

The Board then convened a public hearing to discuss the proposed tax rate for the 2022 tax year (the "Tax Rate"). The Directors noted that there were no taxpayers of the District in attendance who desired to address the Board regarding the Tax Rate.

### **Adopt Order Levying Taxes**

Next, the Directors reviewed an ORDER LEVYING TAXES as prepared by Coats Rose, P.C., the District's Attorney. Then, upon a motion duly made and seconded, the Board voted unanimously to adopt a debt service tax rate of \$0.21 per \$100 of assessed valuation. The Board then, upon a motion duly made and seconded, voted unanimously to adopt a maintenance tax rate of \$0.25 per \$100 of assessed valuation and to adopt the ORDER LEVYING TAXES, a copy of which is attached hereto and shall be considered a part of these minutes.

### **Amendment to Information Form**

The Board then considered Amendment Number 45 to the District's Information Form (the "Amendment") that states the District's most recent tax rate and will be filed with the Texas Commission on Environmental Quality (the "Commission") and in the Official Public Records of Real Property of Montgomery County, Texas. After discussion, upon a motion duly made and seconded, the Board voted unanimously to

approve the Amendment and to authorize filing of same. A copy of the Amendment as approved is attached hereto and shall be considered part of these minutes.

### **Bookkeeper's Report**

Then, Director Lacy reviewed the Bookkeeper's Report prepared by Municipal Accounts & Consulting, L.P. ("MAC"), the District's Bookkeeper. A copy of the Bookkeeper's Report is attached hereto. Director Lacy noted the disbursements for payment at today's meeting as well as the fund balances for each of the accounts maintained by the District. He 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. A discussion ensued regarding the new format of the Bookkeeper's Report. Director Lacy expressed his desire for Charles LaConti of MAC to attend a future meeting of the Board and provide an overview of the Bookkeeper's Report. The Board then discussed the rates charged by the District for water and sanitary sewer service (the "Service Rates"). The Directors requested that the District's Operator and Engineer perform a review of the Service Rates for discussion at a future meeting of the Board, at which time the Board might consider amending the District's Rate Order.

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. Ms. Grant stated that she had nothing new to report at this time regarding the Capital Improvement Plan (the "CIP") or the SWOT Analysis. She noted that AEI was updating the CIP to reflect current projects, project status, and estimated costs.

Storm Sewer Outfall No. 17 / 7299 Kingston Cove Lane. The Board discussed the status of the emergency repairs to Outfall No. 17 (the "Outfall Repairs") being performed by T. Gray Utility/AIMS, LLC (called "AIMS"). Ms. Grant reported that AIMS had completed the cured-in-place pipe lining (the "CIPP Lining") of the 24-inch storm sewer outfall and had opted for the removal and replacement of the last five to ten feet of the corrugated metal pipe. She stated that AIMS had provided a detail for the corrugated band and galvanized corrugated metal pipe that were used in the project. As previously reported, she told the Board, a sinkhole was observed to be developing behind the retaining wall near the new pipe. Ms. Grant continued that AEI requested records for the soil compaction tests for the area that was excavated and backfilled. She stated that the District's Engineer instructed AIMS to remove some construction material and debris that remains on Waterline Way. Once AEI has confirmed that the installation

of the CIPP Lining is complete, she told the Board, URETEK ICR Gulf Coast will mobilize and inject polymer to fill the sinkholes that developed at Outfalls Nos. 17 and 35.

Storm Sewer Outfall No. 35 / 5334 Montego Cove Drive. The Board discussed the status of the emergency repairs to Outfall No. 35 (the "Outfall No. 35 Repairs") being performed by Texas Pride Utilities, LLC (called "TPU"). Ms. Grant reported that TPU had completed the CIPP Lining for Outfall No. 35 and had provided the television surveys and the inspection reports for the Outfall No. 35 Repairs. Copies of the inspection reports are included with the Engineer's Report. She stated that TPU plans to backfill the sinkholes in the following week. The District's Engineer is scheduling the final inspection of the Outfall No. 35 Repairs, she told the Board.

Inspection of Storm Sewer Outfalls. Ms. Grant reported that AEI was preparing a list of the storm sewer outfalls in the District, including location and easement information.

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC ("Concentric") has installed the control panels at the lift station sites and will begin adding the conduit and wire to connect to the existing panels at each site. She explained that Concentric will rewire the control panels to use the new lift station controls.

Renewal of Waste Discharge Permit. Ms. Grant reported on the status of the application for the renewal of the District's Waste Discharge Permit (the "Permit"). She stated that the Commission had renewed the Permit with an effective date of 18 August 2022 and an expiration date of 18 August 2027.

Sanitary Sewer Line Rehabilitation. Ms. Grant reported that AEI was continuing to re-evaluate the proposed rehabilitation of certain sanitary sewer lines (the "Sewer Repairs") that have been classified as Priority II (Immediate) and Priority III (Non-Immediate) in order to phase the proposed Sewer Repair projects over the next five to ten years. She stated that AEI was preparing the bid package for the proposed Sewer Repairs that have been classified as Priority I (Emergency). Ms. Grant then reported that AEI was investigating certain segments of sanitary sewer lines that have been proposed for replacement.

Ms. Grant then presented the Directors with the Sanitary Sewer Evaluation Report dated 22 September 2022 as prepared by AEI (the "Evaluation Report"). A copy of the Evaluation Report is filed in the permanent records of the District.

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 Attorney and

Engineer had been provided with a draft Emergency Water Supply Agreement between the District and Far Hills UD (the "Agreement"). Mr. Konopka stated that he was reviewing the Agreement. A discussion ensued regarding as to whether the proposed Sewer Repair projects should be prioritized over the construction of the Interconnection. Director Lacy suggested that the Board could invite two directors of Far Hills UD to attend a future meeting of the Board to discuss the Agreement and the Interconnection.

Water Plant / Inspection of Ground Storage Tanks (the "GST Inspection"). Ms. Grant reported that both of the ground storage tanks at the District's Water Plant were due for the annual inspection in October 2022.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Engineer's Report; (2) authorize the District's Engineer to proceed with the GST Inspection; (3) authorize the District's Engineer to prepare a project plan and schedule for the Sewer Repairs; and (4) authorize the District's Engineer to prepare a response to Far Hills UD regarding the request for the Interconnection.

### **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 August 2022 (the "Accountability Ratio") was 79.4% and that the 12-month water accountability average was 89.2%. She noted that 11,440,000 gallons of water were produced during the reporting period.

A discussion ensued regarding the Accountability Ratio. Ms. Rowe-Baker discussed with the Board the water line leak investigations being performed by Regional and the possibility that some of the leaks were possibly the result of damage caused to the District's water lines by certain telecommunications contractors. After discussion, the Board directed the District's Attorney to draft a letter to Frontier Communications regarding the work being performed near the District's water lines.

Wastewater Treatment Plant (the "Plant"). Ms. Rowe-Baker reported that the average daily flow at the Plant during August 2022 was 144,000 gallons per day, which is equal to 48% of the design capacity for the Plant.

Electronic Water Meters. The Board discussed the status of the replacement of the existing water meters on the service connections in the District with ultrasonic "smart" water meters (the "Smart Meters") as authorized at the Board's meeting on 17 June 2022. Ms. Rowe-Baker reported that the Smart Meters had been ordered and were scheduled for delivery in late December 2022 or early January 2023.

Verizon Wireless Service. Ms. Rowe-Baker briefly discussed with the Board the service agreement with Verizon for the wireless telecommunication service for the autodialing units at the District's facilities. The Directors expressed their desire for Director Harton to review this matter.

Water Service Issues. Ms. Rowe-Baker reported that two District customers had reported issues with their water service that turned out to be a problem with the check valves on the customers' side of the water line that were not functioning correctly. Mr. Sibley suggested that the customers be informed that repairing the check valves was their responsibility, rather than the District's.

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 the customers regarding the responsibility for repairing the check valves on their water lines; and (3) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date;

### **Reschedule Board of Directors Meetings**

Consideration was then given to rescheduling the 25 November 2022 Board meeting in view of the Thanksgiving holiday. After discussion, the Directors agreed to meet on Friday, 18 November 2022.

The Directors then considered rescheduling the 23 December 2022 Board meeting in view of the Christmas holiday. After discussion, the Directors agreed to meet on Friday, 16 December 2022.

### **Attorney's Report**

Mr. Konopka presented the Attorney's Report.

Advanced Review of Compliance History. Mr. Konopka reviewed with the Board the TCEQ Advanced Review of Compliance History ("ARCH"), a copy of which is attached hereto as an exhibit to these minutes. He explained that the Commission rates the compliance history of all organizations under Title 30, Texas Administrative Code, Chapter 60, evaluates the compliance history of each site, and classifies each site as "High," "Satisfactory," "Unsatisfactory," or "Unclassified." Mr. Konopka stated that the

District's Attorney had registered as an ARCH user for the District and had forwarded copies of the ARCH reports for the District to the District's Engineer and Operator. He noted that the District and the Plant had each received a Compliance History Classification of "High."

Continuing Disclosure. Mr. Konopka reported that the District's consultants would prepare the necessary materials to fulfill the continuing disclosure requirements of the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 15c2-12 prior to the deadline of 30 October 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 23 September 2022  
Attachments

1. Tax Assessor/Collector's Report;
2. Order Levying Taxes;
3. Amendment to District's Information Form;
4. Bookkeeper's Report;
5. Engineer's Report;
6. Operator's Report; and
7. TCEQ Advanced Review of Compliance History,