

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

18 November 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 special session, open to the public at 9:00 a.m. on the 18th day of November 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; Jim Haymon and Rich Cutler representing Far Hills Utility District ("Far Hills UD"); Tony Sekaly representing the Texas Class Local Government Investment Pool; and Cole Konopka of Coats Rose, P.C. ("Coats Rose"), the District's Attorney. Attending the meeting by videoconference were Dick Yale, Christopher Hsu, and David Green of Coats Rose.

Director Lacy called the meeting to order.

Proposed Emergency Water Interconnection (the "Interconnection") with Far Hills Utility District ("Far Hills UD")

The President recognized Mr. Haymon, who presented the Board with an overview of the proposed Interconnection Project. Mr. Haymon informed the Board that Far Hills UD had set aside funding for the Interconnection project and was ready to proceed with the project in 2023. A discussion ensued regarding the desired location of the water meter for the Interconnection (the "Meter") and the possible location and acquisition of easements for the Interconnection water line. Mr. Yale recommended that the Meter be situated within the boundaries of either the District or Far Hills UD and in a location where it could regularly be checked by the District's Operator or the operator for

Far Hills UD. Director Lacy remarked that the Board would discuss the proposed Emergency Water Supply Agreement between the District and Far Hills UD later in the meeting. Messrs. Haymon and Cutler then departed from the meeting. Mr. Konopka remarked that the Board would need to agree on the preferred routing for the Interconnection water line (the "Interconnection Routing") and have the engineer for Far Hills UD prepare a cost study for same (the "Cost Study").

Approval of Minutes

Next, the Board considered approval of the minutes of the meeting of 28 October 2022. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 28 October 2022, as written.

Tax Assessor/Collector's Report

Then Ms. Leon reviewed with the Board the Tax Assessor/Collector's Report for the month of October 2022. She reported that the District's 2022 tax levy was 5.8% collected and the 2021 tax levy as 98.5% collected. Ms. Leon requested the Board's approval of two checks written on the District's tax account and two transfers by wire as follows: a transfer of \$38,528.45 in revenues from the tax account to the District's General Fund and a transfer of \$20,000 to the Debt Service Fund. She pointed out that the District did not currently have any payment plans requested by customers of the District.

Aerial Photograph of District. Ms. Leon inquired if the Directors desired a new aerial photograph of the District. The Board responded in the negative.

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.

Bookkeeper's Report

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 discussed the schedule for the payment of the District's bills. Director Harton remarked that timing issues related to the date of the Board's monthly meetings might be responsible for certain payments from the District being received after the due date.

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.

Texas Class Local Government Investment Pool

The President recognized Mr. Sekaly, who gave a presentation to the Board regarding the Texas Class Local Government Investment Pool (called "Texas Class"). He explained that Texas Class is a money market fund that is open to investments by governmental entities. A thorough discussion ensued regarding Texas Class. The Directors agreed to consider authorizing the District's participation in Texas Class at the Board's meeting on 16 December 2022. Then, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Harton to discuss this matter with the District's Bookkeeper and determine the optimum balance of funds that the District could invest with Texas Class.

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. Ms. Grant stated that she had nothing new to report at this time regarding the SWOT Analysis.

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 stated that, to date, AIMS has not provided AEI with the requested information on the project, including the details on the change proposed by AIMS, the pre-television survey, or the requested records for the soil compaction tests for the area that was excavated and backfilled. She stated that AEI is drafting a letter to AIMS (the "Notification Letter") that will establish the deadline for AIMS to submit the requested information to AEI and resolve the deficiencies in the Outfall Repairs. Ms. Grant stated that the Notification Letter would be forwarded to the District's Attorney for review prior to transmittal to AIMS.

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC ("Concentric") is working to have the lift stations run through the programmable logic controller ("PLC") at all of the sites first and will then test the de-clogger programming and wiring. She stated that Concentric had successfully run Lift Station No. 1 through the PLC and was currently working on Lift Stations Nos. 2 and 3. Once the testing is complete at those locations, she continued, Concentric will move on to the on-site lift station at the Wastewater Treatment Plant.

Sanitary Sewer Line Rehabilitation. Ms. Grant reported that AEI is preparing the bid package for the rehabilitation of the sanitary sewer line segments that are classified as Priority 1 (Emergency) (the "Priority 1 Rehabilitation"). She stated that the bid

solicitation for the Priority 1 Rehabilitation is tentatively scheduled for April 2023 with construction to start in June 2023. Then Ms. Grant reported that AEI is preparing the design and bid package for the replacement of sanitary sewer line segments classified as Priority 1 (the "Priority 1 Replacement"). She stated that the bid solicitation for the Priority 1 Replacement is tentatively scheduled for July 2023 with construction to commence in September 2023.

Water Plant / Inspection of Ground Storage Tanks. Ms. Grant reported that the hatch inspections of the 300,000-gallon galvanized ground storage tank (east) and the 300,000-gallon glass-lined ground storage tank (west) at Water Plant No. 1 (the "GST Inspections") were completed on 8 November 2022. She stated that AEI is preparing the evaluation reports on the GST Inspections.

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 October 2022 was 72.8% and that the 12-month water accountability average was 88.7%. She noted that 9,271,000 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 October 2022 (the "Flow Rate") was 8,088,000 gallons per day, which is equal to 88% of the design capacity for the Plant. Ms. Rowe-Baker remarked that the indicated Flow Rate likely was not accurate and accordingly Regional had directed Prescott Instruments to recalibrate the flow meter at 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.

Mr. Konopka reviewed with the Board a preliminary draft of a RESOLUTION DECLARING INTENT TO REIMBURSE PROJECT COSTS FROM BOND PROCEEDS in connection with the Smart Meters project. The Directors expressed their desire to defer consideration of the Resolution to a future meeting of the Board after the total cost for the purchase and installation of the Smart Meters has been finalized.

Auxiliary Generator at Lift Station No. 3. Ms. Rowe-Baker reported that the radiator on the Generator (the "Radiator") needed repairs. She reviewed with the Board

a proposal from Kentech, Inc. ("Kentech") to service the Radiator at a cost of \$3,534.13 (the "Radiator Repairs"). A copy of the proposal is attached hereto as an exhibit.

Survey of Fire Hydrants in the District (the "Hydrant Survey"). Ms. Rowe-Baker reported that the findings from the Hydrant Survey performed earlier this week will be presented at the Board's meeting on 16 December 2022.

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. She 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 Directors then agreed to postpone the cut-off date to 30 November 2022 in view of the impending Thanksgiving holiday. Then the Board agreed to defer until January 2023 the termination of service to customers whose service accounts remain delinquent as of the due date in December 2022.

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 Radiator Repairs; and (3) terminate services to all of the accounts on the Delinquent List that remain unpaid on the revised cut-off date of 30 November 2022.

Reschedule Board of Directors Meeting

Consideration was then given to rescheduling the 27 January 2023 Board meeting in view of the Midwinter Conference to be held in Austin on 27 and 28 January 2023 by the Association of Water Board Directors – Texas. After discussion, the Directors agreed to meet on Friday, 20 January 2023.

Attorney's Report

Mr. Konopka presented the Attorney's Report.

Proposed Interconnection With Far Hills UD, continued. The Directors returned to their earlier discussion regarding the Interconnection. Mr. Konopka reviewed with the Board the draft Emergency Water Supply Agreement between the District and Far Hills UD as prepared by the District's Attorney. He explained that the Emergency Water Supply Agreement would govern the use of the Interconnection and the cost to the each of the parties thereto for the water provided through the Interconnection. A discussion ensued regarding the proposed Interconnection project. Director Lacy proposed that he and Mr. Konopka prepare a letter to Far Hills UD (the "Response Letter") stating that the Board: (1) is ready to agree in principal to the Interconnection project; (2) desires for the

engineer for Far Hills UD to provide the District with the Interconnection Routing; and (3) is willing for the District to share with Far Hills UD the expense for the design of the Interconnection and the preparation of the Cost Study.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Lacy and the District's Attorney and Engineer to prepare the Response Letter as described above.

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 18 November 2022
Attachments

1. Tax Assessor/Collector's Report;
2. Bookkeeper's Report;
3. Engineer's Report;
4. Operator's Report; and
5. Proposal from Kentech, Inc.