

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

24 March 2023

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 24th day of March 2023, 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
Roy J. Smith	Vice President
Leslie Hausler	Secretary and Asst. Vice President
Pam Harton	Treasurer
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 of Regional Water Corporation ("Regional"), the District's Operator; Stephen Eustis and Trevor Konopka of Robert W. Baird & Co. Incorporated ("Baird"), the District's Financial Advisor; and Cole Konopka of Coats Rose, P.C. ("Coats Rose") the District's Attorney. Attending by videoconference was 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 24 February 2023. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 24 February 2023, as written.

### **Financial Advisor's Report / Proposed Sale of Series 2023 Bonds**

The President recognized Mr. Eustis, who addressed the Board regarding the proposed sale of Series 2023 Bonds by the District to finance certain capital improvement projects. He submitted to and reviewed with the Board the Budget Analysis for the fiscal year ended 30 April 2022 and the Utility Debt Service Tax Rate Analysis – No Growth Scenario (collectively, the "Analysis") as prepared by Baird for the

Series 2023 Bonds, a copy of which is attached hereto as an exhibit to these minutes. Mr. Eustis noted that the District's Engineer was preparing a preliminary Summary of Costs in connection with the sale of the Series 2023 Bonds. The Board discussed the preliminary Summary of Costs later in the meeting.

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

Ms. Leon then reviewed with the Board the Tax Assessor/Collector's Report for the month of January 2023. She reported that the District's 2022 tax levy was 94.5% collected as of this date. Ms. Leon requested the Board's approval of six checks written on the District's tax account and two transfers by wire as follows: a transfer of \$12,707.70 in revenues from the tax account to the District's General Fund and a transfer of \$15,000 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.

### **Bookkeeper's Report**

Next, 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.

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.

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 AEI had sent a letter to AIMS regarding the 2 March 2023 deadline date to submit the requested information on the project and to resolve the deficiencies in the Outfall Repairs. The District's Engineer met with representatives of AIMS on 23 February 2023 to discuss the options for a proposed resolution to the deficiencies, she told the Board. Of the items discussed, said Ms. Grant, the contractor was willing to excavate, backfill, and compact

the previously excavated area affected by the installation of the replacement corrugated metal pipe at their expense. She stated that AEI provided contract documents and a draft timeline of events to the District's Attorney to assist with preparing the District's response regarding the amount to be paid by the District to AIMS for the project. Ms. Grant commented that the contract manager for AIMS had been terminated and that the company's vice president desired to make amends with the District on this matter.

Lift Stations / Ragging Issues. Ms. Grant reported that Concentric Integration, LLC ("Concentric") is testing the de-clogger programming and wiring at each of the sanitary sewer lift station sites and is investigating the float mode for every lift station to ensure that all sites are fully operational.

Electrical Assessment of District Facilities. Ms. Grant reported that Concentric is beginning its review of the electrical systems at the Water Plant, the Wastewater Treatment Plant (the "Plant"), and Lift Stations Nos. 1, 2, and 3. She stated that Concentric expects to provide a technical memorandum with findings and recommendations in June 2023.

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 August 2023 with construction to start in September 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 November 2023 with construction to commence in December 2023.

Proposed Interconnection with Far Hills Utility District ("Far Hills UD"). Ms. Grant stated that she had nothing new to report at this time regarding the proposed Interconnection with Far Hills UD.

Request for Commitment of Water and Sanitary Sewer Capacity / 6959 Breezy Point. Ms. Grant reported that the District's Engineer had received a request for the commitment of water and sanitary sewer capacity to serve a single-family residence at 6959 Breezy Point. She stated that AEI issued a letter committing a capacity of 350 gallons per day of water and sanitary sewer service to the referenced location for a period not to exceed two years (the "Commitment Letter"). A copy of the Commitment Letter is included with the Engineer's Report.

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 February 2023 was 75.8% and that the 12-month water accountability average was 88.3%. She noted that 4,256,000 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 February 2023 was 142,000 gallons per day, which is equal to 47% 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 installation of the Smart Meters commenced earlier this month. She informed the Board that the resident at 7284 Grand Lake had refused to allow Regional to change out the water meter at that address.

Compliance with Revised Lead and Copper Rule. Ms. Rowe-Baker reported that Regional was working on collecting data for the initial report for the lead service line inventory.

Wastewater Collection System Repairs. Ms. Rowe-Baker reported on the repairs to the wastewater collection system at 7063 Edgewater. She noted that the sanitary sewer line wye at that location had been repaired. Photographs of the repairs to the sanitary sewer line wye are included with the Operator's Report.

Lift Station No. 1 Electrical Repairs. Ms. Rowe-Baker reported that the electrical repairs to Lift Station No. 1 were complete. She noted that the new conduit had been run at Lift Station No. 1. Photographs of the electrical repairs are 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; and (2) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date.

## **Attorney's Report**

Mr. Konopka presented the Attorneys Report.

Open Government Training. Mr. Konopka reviewed with the Board copies of the Certificates of Course Completion as issued to Director Hausler upon completion of the Texas Open Government training that is required of newly elected or appointed Directors. Copies of the Certificates of Course Completion are attached hereto as exhibits to these minutes. Mr. Konopka noted that Director Hausler had also provided the District's Attorney with her Statement of Director regarding the disclosure of her address and telephone number, a copy of which is attached hereto.

Reschedule Board of Directors Meeting. The Directors considered rescheduling the 26 May 2023 Board meeting in view of the Memorial Day holiday. The Directors then deferred action on this matter to the Board's meeting on 28 April 2023.

Texas Comptroller / Special Purpose District Report. Mr. Konopka reported that on 10 March 2023 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.

Proposed Interconnection with Far Hills UD. Mr. Konopka briefly discussed with the Board the status of the draft Emergency Water Supply Agreement between the District and Far Hills UD as prepared by the attorney for Far Hills UD. He remarked that this matter was on hold pending the resolution of certain engineering items.

### **Confirm Engagement of Auditor**

Mr. Konopka 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 2023 (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. Konopka then submitted for the Board's review and approval a copy of the Audit Continuance Letter dated 24 March 2023 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 2023 would range from \$14,000 to \$16,000.

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 2023. A copy of the Audit Continuance Letter is attached hereto as an exhibit to these minutes.

### **Proposal for Insurance Coverage**

The Board next reviewed the Proposal for Insurance Coverage (the "Gallagher Proposal") for the policy term of 1 May 2023 through 1 May 2024 as submitted by Arthur J. Gallagher & Co. ("Gallagher"). The Board noted that the pricing for the insurance coverage to be provided under the Gallagher Proposal had increased from \$33,429 for

the policy term ending 1 May 2023 to \$37,084 for the policy term ending 1 May 2024 (plus \$500 for the Tax Assessor/Collector Bond).

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Gallagher Proposal. A copy of the Gallagher Proposal as accepted by the Board is attached hereto and shall be considered to be a part of these minutes. Mr. Konopka noted that the insurance policies being provided to the District under the Gallagher Proposal would be forwarded to the District's Attorney at a later date. The Board directed the District's Attorney to request additional information from Gallagher regarding the Directors & Officers Liability insurance policy.

### **Draft Operating Budget for Fiscal Year ending 30 April 2024**

Next, Director Harton reviewed with the Board the draft Operating Budget for the District for the fiscal year ending 30 April 2024 (the "Budget"). A copy of the draft Budget is attached hereto. The Board discussed possible revisions to the draft Budget. The Directors then deferred adoption of the Budget to the Board's meeting on 28 April 2023.

### **Draft Strategic Plan for the District and Future Bond Issue Summary of Costs**

Ms. Grant reviewed with the Board the draft Strategic Plan for the District dated March 2023, a copy of which is attached hereto as an exhibit to these minutes. She called the Board's attention to certain projects in the Strategic Plan that were included in the draft Summary of Costs for the proposed sale of the District's Series 2023 Bonds. A copy of the Summary of Costs is included with the Engineer's Report. A discussion ensued regarding the Summary of Costs. The Directors expressed their agreement regarding the projects to be included in the Summary of Costs and the Bond Issue Requirement of \$2,865,000. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District Engineer and Financial Advisor to proceed with preparation of the Bond Application Report in connection with the proposed sale of the Series 2023 Bonds.

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 24 March 2023  
Attachments

1. Analysis / Series 2023 Bonds;
2. Tax Assessor/Collector's Report;
3. Bookkeeper's Report;
4. Engineer's Report;
5. Operator's Report;
6. Certificates of Course Completion / Open Government Training;
7. Statement of Director / Disclosure of Address and Telephone Number;
8. SPD Report Confirmation and Summary;
9. Audit Continuance Letter;
10. Proposal for Insurance Coverage;
11. Draft Budget; and
12. Draft Strategic Plan.