

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

28 April 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 28th day of April 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 with the exception of Director Hausler, 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 Baxter & Woodman, Inc. (formerly AEI, a Baxter & Woodman Company, hereinafter "B&W"), the District's Engineer; Jennifer Rowe-Baker 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 or teleconference were Kim Courte of Arthur J. Gallagher & Co. ("Gallagher"), the District's Insurance Agent; 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 24 March 2023. After review, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of 24 March 2023, as written.

Tax Assessor/Collector's Report

Next, Ms. Leon reviewed with the Board the Tax Assessor/Collector's Report for the month of March 2023. She reported that the District's 2022 tax levy was 95.6% 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 \$7,763.99 in revenues from the tax account to the District's General Fund and a transfer of \$5,000 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.

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., 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 then reviewed and discussed in detail the Budget Comparison for the period of May 2022 through March 2023.

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 reviewed with the Board an electronic correspondence dated 24 March 2023 from Marcus Tamez, a vice president of AIMS, to the District's Engineer in which Mr. Tamez expressed the commitment of AIMS to resolve the outstanding items on the Outfall Repairs and to close out the project. A copy of the electronic correspondence is included with the Engineer's Report. As stated by Mr. Tamez, said Ms. Grant, AIMS proposes to line the

interior section of the new corrugated metal pipe with either a geopolymer or epoxy liner; conduct a video inspection after the lining is complete; and restore any areas disturbed by the construction activities and replace the sod as needed.

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 conducting 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 B&W 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 B&W 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. The Board then entered into a discussion regarding the proposed Interconnection.

Bond Application Report No. 7 (the "BAR") / Proposed Series 2023 Bonds. Ms. Grant reported that B&W had commenced preparation of the BAR. She recalled that the draft Summary of Costs as presented at the Board's meeting on 24 March 2023 specified a bond issue requirement of \$2,865,000.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

Directors & Officers Liability Insurance Policy

The Directors then discussed matters relating to the Proposal for Insurance Coverage for the policy term of 1 May 2023 through 1 May 2024 (the "Insurance Proposal") that was submitted by Gallagher and was accepted at the Board's meeting on 24 March 2023. Ms. Courte responded to questions from the Board regarding the coverage being provided to the Directors through the Directors & Officers Liability Insurance Policy (the "D & O Policy") that was included in the Insurance Proposal. She explained that the D & O Policy provides coverage for: (1) action or inaction by Directors

on behalf of the Board; (2) wrongful acts; and (3) alleged breach of contract by the Board.

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 March 2023 was 73.3% and that the 12-month water accountability average was 87.1%. She noted that 4,952,000 gallons of water were produced during the reporting period. A discussion ensued regarding the accountability average. Ms. Rowe-Baker explained that the District's water lines were damaged in several locations during the period of February through April 2023 by contractors installing underground fiber optic cables.

Wastewater Treatment Plant (the "Plant"). Ms. Rowe-Baker reported that the average daily flow at the Plant during March 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 was complete. She reviewed with the Board the proposed notice to be distributed to the District's customers (the "Notice") with instructions for creating an online account with the Eye on Water program for monitoring their water usage. A copy of the Notice is included with the Operator's Report. Ms. Rowe-Baker then reported that the data received from the Smart Meters so far had indicated 70 residences in the District with interior water line leaks. She added that Regional was working to contact the affected customers to notify them of the residential water line leaks.

Booster Pump No. 2. Ms. Rowe-Baker reported that Neil Technical Services, Corp. had completed its repair of booster pump No. 2 and the 50-horsepower motor.

Fire Hydrant Survey. Then Ms. Rowe-Baker reviewed with the Board a summary of the Spring 2023 Fire Hydrant Survey, a copy of which is included with the Operator's Report. She recommended that the Board authorize action on Items Nos. 2, 6, and 9 as listed in the summary at an estimated total cost of \$2,630 to \$3,530 (the "Hydrant Repairs").

Electrical Survey. Ms. Rowe-Baker reported that the District's Operator will present the report on the electrical survey of the District's facilities at the Board's meeting on 19 May 2023.

Auxiliary Generator / Semiannual Preventive Maintenance and Load Test (the "Semiannual Maintenance"). Ms. Rowe-Baker requested the Board's authorization for Kentech, Inc. to perform the Semiannual Maintenance on the auxiliary generator.

Texas Water Development Board / Water Loss Audit. Ms. Rowe-Baker then discussed with the Board the requirement for retail water suppliers to submit a Water Loss Audit to the Texas Water Development Board (the "TWDB"). She reported that the District's Water Loss Audit was submitted to the TWDB prior to the deadline date of 1 May 2023.

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) terminate services to all of the accounts on the Delinquent List that remain unpaid on the due date; (3) authorize Regional to distribute the Notice to the District's customers; (4) authorize the Hydrant Repairs; and (5) authorize the Semiannual Maintenance.

Attorney's Report

Mr. Konopka presented the Attorney's Report.

Identity Theft Prevention Program / Annual Review. Mr. Konopka reviewed with the Board the annual report prepared by Leared in connection with the District's Identity Theft Prevention Program. A copy of the report is attached hereto as an exhibit to these minutes. Mr. Konopka stated that, according to the report, no "red flags" had been raised during the past year and that all of the procedures were working smoothly for Leared.

Reschedule Board of Directors Meeting. The Directors then considered rescheduling the 26 May 2023 Board meeting in view of the Memorial Day holiday. After discussion, the Directors agreed to meet on 19 May 2023. Mr. Konopka then requested that the Directors consider rescheduling the 23 June 2023 Board meeting in view of the Annual Conference of the Association of Water Board Directors – Texas to be held in Corpus Christie on 22 to 24 June 2023.

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.

Draft Operating Budget for Fiscal Year ending 30 April 2024

Finally, Director Harton reviewed with the Board the revised draft Operating Budget for the District for the fiscal year ending 30 April 2024 (the "Budget"). The Board

discussed possible revisions to the draft Budget. After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Budget as amended.

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 28 April 2023
Attachments

1. Tax Assessor/Collector's Report;
2. Delinquent Tax Attorney's Report;
3. Bookkeeper's Report;
4. Engineer's Report;
5. Operator's Report; and
6. Identity Theft Prevention Program Report / Bob Leared Interests.