

**MONTGOMERY COUNTY UTILITY DISTRICT NO. 2  
OF  
MONTGOMERY COUNTY, TEXAS**

TO: THE BOARD OF DIRECTORS OF MONTGOMERY COUNTY UTILITY DISTRICT NO. 2 OF MONTGOMERY COUNTY, TEXAS, AND TO ALL OTHER INTERESTED PERSONS:

Notice is hereby given that the Board of Directors of Montgomery County Utility District No. 2 will hold a regular meeting, open to the public, on **FRIDAY, 27 MARCH 2026, at 9:00 A.M.**, at **Municipal Accounts & Consulting, LP, 611 Longmire Road, Suite 1, Conroe, Texas 77304**, outside the boundaries of the District. The Board will consider and act upon the following matters:

1. Consider comments from District residents (five-minute limit for each speaker);
2. Approve the minutes of the meeting of 27 February 2026;
3. Tax Assessor/Collector's Report, including:
  - (a) authorize payments from the District's tax account;
  - (b) status of collection of taxes, penalties, and interest due to the District for real and personal property accounts and consider termination of services for such accounts;
  - (c) review of Annual Identity Theft (Red Flag) Report;
4. Delinquent Tax Attorney's Report;
5. Bookkeeper's Report, including:
  - (a) authorize payment of the District's bills and wire transfers;
  - (b) review of investments;
  - (c) review proposed budget for the District for the fiscal year ending 30 April 2027;
6. Engineer's Report, including:
  - (a) status of storm sewer easements;
  - (b) status of emergency interconnect with Far Hills Utility District (ISJ Underground Utilities, LLC);
  - (c) status of Phase II MS4 General Permit;
  - (d) status of wastewater treatment plant fence and drainage evaluation (Storm Water Solutions, LLC);
  - (e) discuss transfer of bond funds;
  - (f) status of water plant piping modifications;
  - (g) status of request for water and sanitary sewer service from Lake Conroe Christian Academy and authorize any necessary action;
  - (h) status of hydropneumatic tanks evaluations;
  - (i) status of investigation of lot settling at 6895 Kingston Cove Lane;
  - (j) annual review of the District's Capital Improvement Plan;
  - (k) discuss and authorize any repairs or other work as necessary;

7. Operator's Report, including:
  - (a) status of operations of District facilities, consider requests from District customers, and consider termination of service to delinquent accounts;
  - (b) discuss and authorize any repairs, maintenance items, or other work deemed necessary;
  - (c) review of Annual Identity Theft (Red Flag) Report;
  - (d) discuss and adopt Amended Rate Order, if necessary;
8. Old business;
9. New business, including:
  - (a) discuss renewal of the District's insurance coverage (expires 1 May 2026);
  - (b) confirm continued engagement of auditor to prepare the Annual Financial Report for the District for the fiscal year ending 30 April 2026;
10. Attorney's Report, including:
  - (a) discuss purchase of property at 7288 Lake Shore Circle and authorize any necessary action;
  - (b) status of submittal of special purpose district database report to the Texas Comptroller (deadline is 1 April 2026);
11. Convene in executive session pursuant to Texas Government Code, Chapter 551, to discuss matters only relating to pending or contemplated litigation, personnel matters, real estate transactions, or security, if necessary;
12. Action on items discussed in executive session; and
13. Schedule future meetings as required (next meeting date is **24 April 2026**).



(SEAL)

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Coleman D. Konopka  
Attorney for Montgomery County Utility District No. 2  
Coats Rose, P.C.  
9 Greenway Plaza, Suite 1000  
Houston, Texas 77046

**MUD #2 Comparison of Operating Revenues 2026 / 2027 Budget  
1st Draft for March Board Meeting**

Account Number and Description	2022 - 2023 12 Months	2023 - 2024 12 Months	2024 - 2025 12 Months	2025 -2026 Budget	2025 - 2026 Actual + 3 mo	Proposed 2026 -2027 Budget	Difference Proposed Budget to Act	%age change
<b>Income</b>								
14101 · Water - Customer Service Revenue	266,705	301,019	292,919	290,000	286,100	290,000	3,900	1.3%
14102 · SJRA Fee	242,427	307,451	223,819	245,000	238,992	245,000	6,008	2.5%
14103 · Lone Star Authority	8,275	10,305	9,758	7,000	9,264	9,000	-264	-2.9%
14105 · Reconnection Fee	4,050	4,625	5,550	3,000	4,050	4,000	-50	-1.3%
14201 · Wastewater - Customer Service Fee	194,680	212,600	211,908	210,000	208,586	210,000	1,414	0.7%
14206 · Sewer Inspection Fee	3,107	2,520	720	1,000	3,717	1,000	-2,717	-271.7%
14301 · Maintenance Tax Collections	651,838	725,780	742,867	700,000	700,000	700,000	0	0.0%
14501 · Tap Connections	18,942	18,745	0	0	4,053	0	-4,053	0.0%
14502 · Inspection Fees	2,847	1,203	0	0	1,125	0		
14702 · Penalties & Interest	11,743	18,613	18,413	10,000	25,375	10,000	-15,375	-153.8%
14801 · Interest Earned on Temp. Invest	26,607	60,740	91,510	65,000	68,232	60,000	-8,232	-13.7%
14802 · Interest Earned on Checking Acc	3,736	54	2	0	54	0	-54	0.0%
15801 · Miscellaneous Income	303	300	3,256	100	174	100	-74	-74.0%
<b>Total Income</b>	<b>1,435,260</b>	<b>1,663,955</b>	<b>1,600,722</b>	<b>1,531,100</b>	<b>1,549,722</b>	<b>1,529,100</b>	<b>-19,497</b>	<b>-1.3%</b>

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**Comments:**

1. Will be based on Operator's and Engineer's recommendations
2. Reconnection fee will be based on Operator's recommendations
3. Wastewater-Customer Service Fee will be based on Operator's recommendations
4. Maintenance Tax Collections based on current year actuals
5. Interest Earned will be reduced due to decline in balance of Capital Funds balance

**MUD #2 Comparison of Professional Services Expense 2026 / 2027 Budget  
1st Draft for March Board Meeting**

Account Number and Description	2022 - 2023 12 Months	2023 - 2024 12 Months	2024 - 2025 12 Months	2025 -2026 Budget	2025 - 2026 Actual + 3 mo	Proposed 2026 -2027 Budget	Difference Proposed Budget to Act	%age change
<b>16100 · Professional Services Expense Other</b>								
16703 · Legal Fees	106,249	106,596	103,951	115,000	106,611	110,000	3,389	3.1%
16705 · Auditing Fees	15,000	15,500	16,000	18,000	18,000	18,000	0	0.0%
16706 · Engineering Fees	49,778	106,244	177,692	120,000	116,861	125,000	8,139	6.5%
16709 · Election Expense	2,570	549	805	5,000	0	5,000	5,000	100.0%
16712 · Bookkeeping Fees	46,292	51,017	47,244	52,000	50,399	52,000	1,601	3.1%
16714 · Printing & Office Supplies	22,197	23,412	20,202	20,000	26,563	25,000	-1,563	-6.3%
16715 · Meter Reading Interface AVR	6,251	0	14,262	12,528	11,772	12,000	228	1.9%
16717 · Postage	785	1,326	951	1,200	1,845	1,200	-645	-53.8%
16718 · Insurance & Surety Bond	32,871	36,901	42,528	47,000	46,543	45,000	-1,543	-3.4%
16723 · Travel Expense	6,916	8,165	8,250	8,500	9,409	9,500	91	1.0%
16735 · Miscellaneous Expense	3,481	4,022	12,571	5,000	7,179	5,000	-2,179	-43.6%
16801 · Security Monitoring Expense	6,366	6,300	8,439	6,600	6,300	6,600	300	4.5%
17101 · Payroll Expenses	15,340	23,358	28,311	30,000	29,171	30,000	829	2.8%
<b>Total 16100 · Professional Services Expense</b>	<b>314,096</b>	<b>383,390</b>	<b>481,206</b>	<b>440,828</b>	<b>430,653</b>	<b>444,300</b>	<b>13,647</b>	<b>3.1%</b>

**Comments:**

1. Legal Fees estimate will be confirmed with Coats & Rose
2. Auditing Fees will be based on quote from McCall Gibson Swedlund Barfoot PLLC
3. Engineering Fees will be based on estimate from Daniel at Baxter Woodman
4. Election Expense-will have 2 directors up for reelection in 2026, budgeting for possible expense
5. Meter Reading Interface AVR based on Badger Meter monthly cellular bill of \$1,044
6. Insurance & Surety Bond will be based on quote from Gallagher Insurance
7. Travel Expense-expecting increase in Director's attending conferences

**MUD #2 Comparison of General Operating Expense 2026 / 2027 Budget  
1st Draft for March Board Meeting**

Account Number and Description	2021 - 2022 12 Months	2022 - 2023 12 Months	2023 - 2024 12 Months	2024 -2025 Budget	2024-2025 Actual + 3 mo	Proposed 2026 -2027 Budget	Difference Approved Budget to Act	%age change	
16105 · Maint & Rep - Water Plant	23,192	96,543	162,157	100,000	86,716	100,000	13,284	13.3%	1
16106 · Maint & Rep- Water Distribution	195,028	209,711	160,857	150,000	190,564	150,000	-40,564	-27.0%	1
16107 · Chemicals - Water	9,147	12,922	20,926	17,500	16,341	17,500	1,159	6.6%	2
16108 · Laboratory Exp - Water	1,887	2,432	1,974	2,500	2,365	2,500	135	5.4%	
16110 · Utilities - Water Plant	0	31,970	28,706	35,000	31,663	35,000	3,337	9.5%	
16111 · Reconnections	0	0	0	1,000	0	1,000	1,000	100.0%	
16112 · Service Account Collection	78,578	80,652	83,501	90,000	91,093	90,000	-1,093	-1.2%	2
16215 · Telephone Expense	4,006	1,571	1,003	2,000	1,827	2,000	173	8.7%	2
16116 · Permit Expense	10,246	4,029	4,457	10,000	4,457	15,000	10,543	70.3%	3
16117 · Regulatory Assessment Expense	2,218	1,759	815	2,000	835	2,000	1,165	58.3%	
16118 · Lone Star Well Permit Fee	11,050	11,050	11,050	8,300	11,052	8,300	-2,752	-33.2%	
16119 · SJRA Pumpage Fee	273,381	282,059	203,391	232,000	235,281	270,000	34,719	12.9%	
16202 · Maint & Repairs - General	0	0	0	15,000	15,000	15,000	0	0.0%	1
16203 · Maint & Repairs - STP	30,998	60,082	60,766	60,000	20,092	60,000	39,908	66.5%	1
16204 · Maint & Rep - Lift Stations	25,293	43,113	102,902	60,000	102,004	60,000	-42,004	-70.0%	1
16205 · Maint & Rep - Storm Drainage	0	1,923	26,723	50,000	0	50,000	50,000	100.0%	1
16206 · Maint & Rep - WW Collection Sys	16,229	23,365	90,124	115,000	65,285	115,000	49,715	43.2%	
16207 · Chemicals - Sewer	20,321	12,872	14,366	16,000	20,511	16,000	-4,511	-28.2%	
16208 · Laboratory Exp - Sewer	16,304	16,985	20,292	19,000	24,121	19,000	-5,121	-27.0%	
16210 · Utilities Wastewater	71,941	27,003	28,897	35,000	30,657	35,000	4,343	12.4%	
16211 · Utilities Lift Station	0	5,004	0	0	0	0	0	0.0%	4
16212 · Sludge Removal	0	18,848	8,356	29,000	27,086	29,000	1,914	6.6%	
16217 · TCEQ Regulatory Assessment Exp	0	0	815	60,000	835	60,000	59,165	98.6%	5
16218 · Sewer Inspection Expense	1,776	1,372	0	1,500	0	1,500	1,500	100.0%	
16501 · Tap Connection Fee	13,810	10,450	2,064	5,000	3,185	5,000	1,815	36.3%	
16990 · M&R Emergency Repairs (was 18104)	12,993	11,493	0	50,000	25,182	50,000			
<b>Total 16000 · General Operating Expense</b>	<b>818,398</b>	<b>967,208</b>	<b>1,034,142</b>	<b>1,165,800</b>	<b>1,006,152</b>	<b>1,208,800</b>	<b>202,648</b>	<b>16.8%</b>	

Comments:

1. M&R amounts recommended by RWC
2. Amounts recommended by RWC
3. Permit Expense - need to discuss variability
4. MA&C has combined with acct 16210 - no longer used
5. Strategic Plan-Ms4 Permit & BMP - discuss with Engineer

**MUD #2 Comparison of Maintenance & Repair Expense 2026 / 2027 Budget  
1st Draft for March Board Meeting**

Account Number and Description	2021 - 2022 12 Months	2022 - 2023 12 Months	2023 - 2024 12 Months	2024 -2025 Budget	2024-2025 Actual + 3 mo	Proposed 2026 -2027 Budget	Difference Approved Budget to Act	%age change
16105 · Maint & Rep - Water Plant	23,192	96,543	162,157	100,000	86,716	100,000	13,284	13.3%
16106 · Maint & Rep- Water Distribution	195,028	209,711	160,857	150,000	190,564	150,000	-40,564	-27.0%
16203 · Maint & Repairs - STP	30,998	60,082	60,766	60,000	20,092	60,000	39,908	66.5%
16204 · Maint & Rep - Lift Stations	25,293	43,113	102,902	60,000	102,004	60,000	-42,004	-70.0%
16206 · Maint & Rep - WW Collection Sys	16,229	23,365	90,124	115,000	65,285	115,000	49,715	43.2%
16202 · Maint & Repairs - General	0	0	0	15,000	15,000	15,000	0	0.0%
16205 · Maint & Rep - Storm Drainage	0	1,923	26,723	50,000	0	50,000	50,000	100.0%
<b>Total Maintenance and Repair Expense</b>	<b>290,740</b>	<b>434,737</b>	<b>603,529</b>	<b>550,000</b>	<b>479,661</b>	<b>550,000</b>	<b>70,339</b>	<b>12.8%</b>

**MAINTENANCE AND REPAIR COSTS HAVE THE HIGHEST VARIABILITY YEAR OVER YEAR - IN TOTALS AND BY CATEGORY**

Infrastructure is aging and requiring more repairs. We recommend increasing the M&R base to ?

Current year totals have been under budget for the most part, we anticipate seeing increases in actual.

**MUD #2 Net Operating Surplus (Deficit) and Capital Outlay 2026 / 2027 Budget  
1st Draft for March Board Meeting**

Account Number and Description	2021 - 2022 12 Months	2022 - 2023 12 Months	2023 - 2024 12 Months	2024 -2025 Budget	2024-2025 Actual + 3 mo	Proposed 2026 -2027 Budget	Difference Approved Budget to Act	%age change
<b>Total Income</b>	1,435,260	1,663,955	1,600,722	1,531,100	1,549,722	1,529,100		
<b>Total Expense</b>	1,132,494	1,350,598	1,515,348	1,606,628	1,436,805	1,653,100	216,295	13.1%
<b>Net Operating Surplus (Deficit as minus sign)</b>	302,766	313,357	85,374	-75,528	112,917	-124,000	-236,917	191.1%
<b>Other Expense</b>								
17305 · Capital Outlay	484,490	51,500	0	446,000	255,920	2,754,000	2,498,080	90.7%
17306 · Capital Outlay - Engineering	89,615	108,045	37,621	143,478	49,955	474,720	424,765	89.5%
<b>Total Other Expense</b>	574,105	159,545	37,621	589,478	305,875	3,228,720	2,922,845	90.5%
<b>Net Income before Transfers from Capital Projects</b>	(271,339)	153,812	47,753	(665,006)	(192,958)	(3,352,720)	(3,159,762)	
15902 · Transfer From Capital Projects	0	0	535,990	0	0	0	3,159,762	
<b>Net Income/Loss</b>	-271,339	153,812	583,743	-665,006	-192,958	-3,352,720	0	0.0%

**Capital Outlay Notes:** - from CIP Strategic Plan from Tony Sarman with Baxter Woodman  
I've added all the items not yet completed with year of 2026 for consideration by board

	Est. Const/ Purch Costs	Est Eng Costs	Est Total
1 WWTP Fence & Retaining Wall	53,000	22,720	75,720
2 Water Plant Piping Modifications	150,000	58,000	208,000
3 Purchase of Lot	70,000		70,000
4 Water Plant Generator Replacement	640,000		640,000
5 Sanitary Sewer Priority lia Rehabilitation	105,000	35,000	140,000
6 Sanitary Sewer Priority lia Replacements	128,000	47,000	175,000
7 Lift Station Control Panel Replacements	480,000	80,000	560,000
8 Storm Sewer Rehabilitation	1,000,000	200,000	1,200,000
9 Sanitary Sewer Priority lib Replacements	128,000	32,000	160,000
<b>Total Capital Outlay:</b>	<u>2,754,000</u>	<u>474,720</u>	<u>3,228,720</u>

Exhibit B  
Taxpayer Impact Statement

	Current Budget Fiscal Year Ending** <i>04/2026</i>	Proposed Budget Fiscal Year Ending** <i>04/2027</i>	No-New-Revenue Tax Rate Budget***
Estimated District Operations and Maintenance Tax Bill on Average Homestead*	\$743.93	\$743.93	\$743.93

\*The District levies taxes in accordance with the Texas Water Code. The District's current operations and maintenance tax rate is equal to \$0.25 per \$100 of assessed value. Average homestead values are determined by the county appraisal district. All estimates above were prepared utilizing the average resident homestead value as of the time that the District's most recent Truth in Taxation worksheet was prepared in accordance with the Texas Water Code.

\*\*Average tax bill estimates for the current and proposed budgets reflect those taxes necessary to fund the operations and maintenance tax revenues stated in the applicable budget.

\*\*\*This column estimates the operations and maintenance taxes to be paid on the average homestead if the proposed budget generates the same amount of operations and maintenance tax revenues as the current budget.