

Approval of the Minutes

April 20, 2020

**REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
LUMBERTON MUNICIPAL UTILITY DISTRICT**

The regular meeting of the Board of Directors of the Lumberton Municipal Utility District was held on Monday, April 20, 2020, at 6:30 p.m. via ZOOM Webinar pursuant to notice duly posted in accordance with the law. The following members of the Board were present:

David Pitchford

Roger Smith

David Desormeaux

Nick Carter

Jimmy Burk

Also participating the meeting via ZOOM Webinar were Robb Starr and Carla Belt as employees of the District, Benny Lewis as Operations Manager, Jeff Leavins of LJA Engineering, James Gilley of U.S. Capital Advisors and Guy N. Goodson of Germer PLLC as legal counsel for the District.

Agenda Item No. 1: **Prayer and Pledge.** A quorum being present, the meeting was called to order, the prayer and pledge were both led by President Carter.

Agenda Item No. 2: **Public Comments of Agenda Items.** None.

Agenda Item No. 3: **Minutes.** The Minutes of February 17, 2020 were approved as presented.

Agenda Item No. 4: **Approval – Reimbursement – Robb Starr – Interim District Manager – Zoom Video Communication.** The Board recognized Mr. Starr who indicated that he had incurred a charge of \$57.74 for a Standard Pro and Webinar 100 monthly charge through ZOOM video communication. A brief discussion followed, and upon motion duly made by Director Desormeaux and seconded by Director Burk, the reimbursement was approved as presented.

Agenda Item No. 5: **Capacity Approval – 3974 Hwy 69 South – 2 connections – Hilldale Properties, LLC, owner.** The Board recognized Mr. Starr who provided a description of the location of the property near the intersection of U.S. Highway 69 and the southern portion of the District. A detailed review of

the project location and relationship to Jordan Road and Dorothy Lane was also presented. The Board then recognized Jeff Leavins who presented his water and sewer capacity study. Mr. Leavins briefly reviewed District facilities and noted the District had adequate water well and storage capacity, and the existing 10” waterline on U.S. Highway 69 would provide adequate service for the proposed development without the significant impact on pressure within the existing water distribution system of the District. It was also noted that the two residential connection flow would not adversely affect the required flow, so sufficient capacity existed in both the wastewater collection and wastewater plant treatment facilities. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Smith, the Board granted capacity approval to the 3974 Hwy 69 South, 2 connections, Hilldale Properties, LLC, owner.

Agenda Item No. 6: Environmental Consulting Services with LJA Engineering – Ammonia Excursions Scope of Work. The Board recognized Mr. Starr who along with the District’s operator noted that later in the meeting, the Board would be advised of certain operational issues at the District’s wastewater treatment plant resulting in ammonia exceedances. Mr. Starr recognized Mr. Leavins who presented the LJA Engineering Scope of Work Proposal dated April 17, 2020 in the amount of \$18,000.00. Mr. Leavins reviewed the report and current design parameters of the plant as well as correlation of rainfall and prior performance of the orbital aerators and closed with a discussion of the sludge handling review that would be undertaken. Mr. Leavins noted that after the evaluations were completed, a draft would be presented to the Board in order to propose any changes or corrections to the District wastewater operating system. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Burk, the Board provided approval of the Environmental Consulting Services Agreement with LJA Engineering for ammonia excursions.

Agenda Item No. 7: Presentation by financial advisor and legal counsel as to the District Utility System Revenue Refunding Bonds, Series 2020 (the “Bonds”) issued for the purpose of refunding certain maturities of the Utility System Revenue Bonds, Series 2012 of the District (the “Refunded

Obligations”). The Board recognized James Gilley who again refreshed the Board on the previous presentation made in February 2020 at which point Mr. Gilley noted that it was felt the District could achieve a present value savings on the refunding of its 2012 Revenue Bonds. Mr. Gilley reviewed the process whereby the District would consider adoption of a parameter order with the parameters for a possible refunding to address the aggregated principal amount of refunding bonds, the required present value savings and the determination based on the prior presentation that the bonds would have a maximum maturity date not to exceed August 15, 2033, the current maturity date of the existing 2012 Bonds. A discussion followed, and questions arose from the Board concerning the parameters, and President Carter noted particularly, questions concerning the minimum net present value savings that should be achieved in order to proceed with a refunding. While Mr. Gilley noted that based on the previous analysis performed approximately 2 months ago, the present value savings would be around 5% that would be volatility in the marketplace. Mr. Gilley still felt achieving a 4-4.5% present value savings was possible, and a discussion followed about seeing the present value savings at a lower debt savings. After discussion, it was agreed that upon consideration of Resolution 2020-3, the Order calling for the refunding of the District’s 2012 Bonds by issuance of the Revenue Refunding Bonds, Series 2020, the debt service parameter would be 3.5%.

Agenda Item No. 8: § 1207.007, Texas Government Code, as amended to delegate to a designated pricing officer (the “Pricing Officer”) the authority to determine the principal amount of the Bonds to be issued and negotiate the terms of the sale thereof, and to select the specific maturities, in whole or in part, of the Refunded Obligations to be refunded and to achieve a present value debt service savings to be included in a pricing certificate (the “Pricing Certificate”) to be executed by the Pricing Officer. After discussion and upon motion duly made by Director Burk and seconded by Director Desormeaux, the Board President was designated as the Pricing Officer with the Vice President of the Board to act as the Pricing Officer if the President was unable to complete any required responsibilities as said officer. After discussion, the Board passed the designation of the Pricing Officer unanimously.

Agenda Item No. 9: **ORDER AUTHORIZING THE LUMBERTON MUNICIPAL UTILITY DISTRICT UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020 (THE “BONDS”); PROVIDING FOR THE PAYMENT OF THE BONDS BY A PLEDGE OF NET REVENUES OF UTILITY SYSTEM OF THE DISTRICT; CALLING CERTAIN MATURITIES OF THE DISTRICT’S UTILITY SYSTEM REVENUE BONDS, SERIES 2012; RESOLVING MATTERS RELATED TO THE ISSUANCE, SALE, PAYMENT, AND DELIVERY OF THE BONDS; PROVIDING FOR AND APPROVING THE NAMING OF A PRICING OFFICER AND AUTHORIZING EXECUTION BY THE PRICING OFFICER OF A PRICING CERTIFICATE; PROVIDING FOR THE ISSUANCE OF AN OFFICIAL STATEMENT; AND AUTHORIZING THE EXECUTION OF A PAYING AGENT REGISTRAR AGREEMENT.** Legal counsel noted that page 2 and 3 of the Order, per the discussion of the Board, would be completed with parameters of an amount not to exceed \$4,265,000.00 with a present value savings of at least 3% net of any contribution by the District, the bonds would not exceed an interest rate required by Chapter 1204, Texas Government Code, and the maximum maturity date of the bonds would not exceed August 15, 2033. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Smith, the Board approved Agenda Item No. 9, as presented.

Agenda Item No. 10: **Authorize the Board President or Vice President, the Board Secretary or Assistant Secretary or such other District officials to execute and deliver certificates, agreements, affidavits, notices and documents as necessary to proceed with the issuance and sale of the Lumberton Municipal Utility District Utility System Revenue Refunding Bonds, Series 2020 and authorizing said District representatives to take such other actions as may be necessary for the issuance, sale, and delivery of the Bonds.** The Board recognized legal counsel who stated this agenda item was to provide the latitude to the Board President and Vice President, the Pricing Officer together with the other Board officers to execute all documents and to acquire any documents required by bond purchasers or the Texas Attorney General in reviewing the issuance and sale of the District Utility System

Revenue Bonds, Series 2020. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Smith, the Board approved Agenda Item No. 10, as presented.

Agenda Item No. 11: **Authorize the issuance and delivery of an Official Statement by the duly authorized representatives of the District.** Legal counsel noted that while covered above, the District would be providing an Official Statement to the bond market as a part of the transaction. Legal counsel also noted that the Official Statement would now include information concerning the District's events and risk factors which would include in addition to previous naturally occurring events such as hurricanes and tropical storms, but also now pandemic episodes. Legal counsel also noted that reference to the adopted bonds for the defined area would be added to the Preliminary Official Statement and later to the Official Statement. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Smith, the Board approved and authorized issuance and delivery of an Official Statement by the duly authorized representatives of the District.

Agenda Item No. 12: **Approve engagement letter with Germer PLLC as Bond Counsel.** Legal counsel noted that due to legislation passed in 2019, legal counsel was required to provide additional disclosures including cost estimates in the engagement letter and to note that fees were based on hourly fees and not based upon the issuance of the bonds. A discussion then followed from President Carter concerning the estimated cost, and after discussion and upon motion duly made by Director Smith and seconded by Director Desormeaux, the Board approved the engagement letter with Germer PLLC as bond counsel for the District's Revenue Refunding Bonds, Series 2020.

Agenda Item No. 13: **Manager's Report.**

A. **Presentation of Financial Statement and Accounts Payable.** The Board recognized Carla Belt who presented the monthly review of the District's financial records. Ms. Belt began with a review of the bank statements and check register providing information from the depositories including BBVA and Wells Fargo Bank. Ms. Belt then presented the accounts payable register showing invoices in the amount of \$272,436.99. There being no questions from

the Board, Ms. Belt then moved to consideration of the budget year-to-date and noted the District had a cash income of \$96,518.02 and that there were no disbursements from the capital budget for the month. Ms. Belt then moved to the review of the 5-year to monthly average for District operating accounts followed by a review of the overtime for the period through March 2020 and then closed with a review of customer refunds and usage. Questions followed from the Board, and Ms. Belt was thanked for her report.

B. Presentation of Production Report and Operations Report. The Board then recognized Benny Lewis who stated as noted previously in the meeting that the District's wastewater treatment facility had six excursions exceeding the permitted limits. It was noted that three were daily max exceedances, one was a monthly average exceedance and one was a 2-week average exceedance. Mr. Lewis noted there were no other excursions in the Water Treatment Plant and no injuries. The Board continued a discussion relative to these exceedances and the ammonia issues. Mr. Lewis then presented the overtime report followed by the production report, and it was noted by Director Desormeaux that the unaccounted for water had risen from 8% in February to 22% in March. Mr. Starr stated that he thought this was again an anomaly due to the periods of time calculated and hoped that by the month of April or May, the water loss would again return to zero. The Board was then given the water production and billing usage and leakage report, the 10-year average pumping and billing reports followed by the customer average and current billing. Mr. Starr stated these reports would be monitored carefully with the current pandemic to determine what effects this might have on customer usage. Mr. Starr provided the customer usage profiles and the ammonia 2020 report in comparison to other prior minutes. The review of data was closed with yearly rainfall and water plant flow reports. The Board was also provided with the vehicle maintenance and mileage report followed by the complaint log.

C. **Presentation of Important Dates.** The Board noted along with District management that it was anticipated that due to some higher than normal water usage typically due to low rainfall, the District would anticipate higher requests for rereads in the next billing cycles.

Agenda Item No. 14: Public Comments. None.

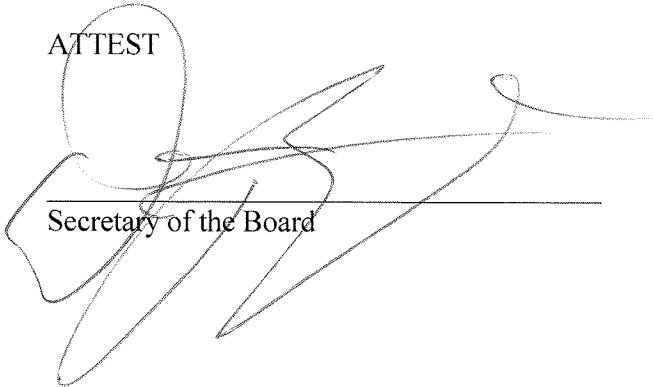
Agenda Item No. 15: Payment of Bills. After discussion and upon motion duly made by Director Pitchford and seconded by Director Burk, the accounts payable were approved for payment as presented.

Agenda Item No. 16: Adjournment. There being no further business, the meeting was adjourned at 7:42 p.m.



President of the Board

ATTEST



Secretary of the Board