

Approval of Minutes
from
September 21, 2020
Board Meeting

**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, September 21, 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

David Desormeaux

Nick Carter

Jimmy Burk

Roger Smith

Also participating in the meeting via ZOOM Webinar were Robb Starr, Benny Lewis and Carla Belt as employees of the District, Jeff Leavins of LJA Engineering and Guy Goodson of Germer PLLC as legal counsel for the District.

Agenda Item No. 1: Convene Meeting & Establish Quorum. A quorum being present, the meeting was called to order by President Carter.

Agenda Item No. 2: Prayer and Pledge. President Carter provided the prayer and conducted the pledge.

Agenda Item No. 3: Public Hearing on 2020 Tax Rate. President Carter convened the public hearing on the proposed 2020 tax rate for the District at an amount not to exceed \$00.086749/\$100 valuation. President Carter asked if there were any members of the public present on the call who wished to make comments during the public hearing; there being no comments made, the public hearing remained open for 5 additional minutes to allow any persons wishing to speak to do so.

Agenda Item No. 4: Close Public Hearing. No members of the public having responded, the public hearing was closed.

Agenda Item No. 5: Public Comments on Agenda Items. No comments.

Agenda Item No. 6: Minutes. The Minutes of August 17, 2020 were approved as presented.

Agenda Item No. 7: Adoption of 2020 Tax Rate. After discussion at the prior Board meeting and the closure of the public hearing, upon motion duly made by Director Smith and seconded by Director Desormeaux, the Board unanimously approved the 2020 tax rate for the District in the amount of \$00.086749/\$100 property valuation.

Agenda Item No. 8: Submission of Tax Reports to Hardin County. Legal counsel noted that County tax offices and Appraisal Districts were requesting the submission of numerous reports, particularly following the implementation of Senate Bill 2. After discussion and upon motion duly made by Director Smith and seconded by Director Burk, the District's duly authorized representatives were authorized to submit any tax rate reports to taxing entities.

Agenda Item No. 9: 2020 Notice to Purchaser. The Board recognized Robb Starr who indicated the 2020 District Information Form/Notice to Purchaser needed to be approved and executed by all Board members. Questions followed, and legal counsel noted that the Notice to Purchasers was a required document pursuant to Chapter 49 of the Water Code and was an addendum or supplement to all contracts of sale of properties within the District. After discussion and upon motion duly made by Director Smith and seconded by Director Desormeaux, the 2020 District Information Form/Notice to Purchaser was approved as presented, and all Board members were asked to make arrangements with the District Manager to execute the document before a notary.

Agenda Item No. 10: Capacity Approval – Callahan Mobile Home Park (5 additional units) – Robert Hancock, owner. The Board recognized Robb Starr and subsequently Jeff Leavins who

presented the capacity approval request for 5 additional units in the Callahan Mobile Home Park – Robert Hancock, owner. Mr. Starr and Mr. Leavins reviewed the location of the property and related District facilities. Mr. Leavins reviewed the water and sewer system capacity study, both water and wastewater system facilities as well as expected flows to the wastewater treatment plant. Mr. Leavins also reviewed the necessity for possible improvements or extension to provide service, but concluded that the District had adequate water production and water storage facilities for the proposed development with an existing sanitary sewer system on Callahan Lane that would provide adequate capacity to serve the development along with capacity in Lift Station #13. It was noted that a possible extension of the sanitary sewer gravity line, if required, would be at the cost of the developer. President Carter asked if the additional units would be served by individual meters, and Mr. Starr confirmed that it would be an individual metered service to each additional unit. Director Smith asked, and it was confirmed that any additional extension of the 6” sewer line would be at the cost of the developer. Mr. Starr also noted that they were evaluating the location of fire hydrant service to the area, and any additional costs for enhanced fire hydrants would also be at the cost of the developer. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Pitchford and subject to the requirement for the developer paid improvements, the capacity for the 5 additional units in Callahan Mobile Home Park – Robert Hancock, owner was approved unanimously.

Agenda Item No. 11: 2019-2020 Audit – Wathan, Deshong & Juncker, LLP. The Board recognized Jeremy Triska of Wathan, Deshong & Juncker, LLP who thanked the Board for the opportunity to provide the auditing services to the District. Mr. Triska began by reviewing the opinion and noting that it was a clean opinion for the District. Mr. Triska then reviewed the introductory reports and general information concerning the District and the financial reports. Mr. Triska reviewed in detail the debt service obligations of the District, debt reduction and the equity section of the

financial report. While it was noted that expenses were up approximately \$74,000, it was also noted that the District's connections had increased in the prior 12-month period. Mr. Triska then moved to the statements of cash flow, and questions followed from President Carter on certain non-capital items. Mr. Triska also noted the change in capital assets on page 25 of the report. Mr. Triska further reviewed the notes to the financial statements and supplemental reports required to be presented by the District. In closing, Mr. Triska reviewed the letter to the District, and noting no objections or observed issues with the financial management of the District. The Board thanked Mr. Triska for his presentation.

Agenda Item No. 12: Executive Summary of the Wastewater Treatment Plant Capacity Update.

The Board recognized Jeff Leavins who noted that he had segregated Executive Summary of the Wastewater Treatment Plant out of the complete engineering report so that he would provide an overview of the issues addressing the District, particularly related to the exceedance of certain parameters including the ammonia limits imposed by the operating permits of the District. Mr. Leavins noted many changes in the effluent parameters of the plant and that there were specific areas in the plant that seemed to be giving rise to the most direct correlation with causes for the Wastewater Treatment Plant to exceed its ammonia limits. Director Desormeaux interjected that he appreciated the level of detail provided by LJA Engineering in its report, but suggested that in the final report that the engineers provide a table of the acronyms used for various engineering terminology in the report to make it somewhat easier to review. The Board followed the presentation by Mr. Leavins with a number of questions concerning both the Wastewater Treatment Plant future upgrades as well as its location. Mr. Starr noted that the District currently did not plan to relocate facilities and intended to utilize the Wastewater Treatment Plant site for the development of an enhanced Wastewater Treatment Plant facility. Mr. Starr reviewed growth patterns in the District, the current issues that

Mr. Lewis and the District faced in managing the Plant due to its current age and conditions of equipment and noted that the District may be looking at a new or enhanced Wastewater Treatment Plant. Mr. Starr said that based upon the 30-year planning cycle, the District should consider the development of a new 6 MGD capacity plant. Mr. Leavins and Mr. Starr noted that there were quite a number of items that still had to be addressed, but the cost of the Plant could range from historic costs of \$5 per gallon or a \$30 million bond issue to a \$12 per gallon or \$60 million Plant. The Board asked why the broad range in possible costs, and both Mr. Starr and Mr. Leavins said it had to do with information secured from others as to recent capital projects, and these numbers would be refined as the Board authorized the development of a plan to proceed. Legal counsel was recognized who stated if the District wished to consider funding this through a tax bond issue, the earliest available date for conducting such an election would be May, 2021, and calling an election for that date would occur approximately 75 days prior to that date or mid-February, 2021. Legal counsel also noted that a project timetable would need to include the presentation of an engineering report and estimates of costs for the ballot proposition by January, 2021. The Board had a lengthy discussion on the proposed Wastewater Treatment Plant improvement project, and it was agreed that the Board needed to set a workshop session with its financial advisors and legal counsel for consideration of the financing options for the Plant. Legal counsel was asked to coordinate the setting of the meeting with the District's financial advisors. The Board thanked Mr. Leavins and Mr. Starr for the presentation.

Agenda Item No. 13: Zoom Communication - Robb Starr, District Manager. After discussion and upon motion duly made by Director Burk and seconded by Director Pitchford, the Board unanimously approved the reimbursement for ZOOM communications to Robb Star.

Agenda Item No. 14: Manager's Report.

A. Presentation of Financial Statement and Accounts Payable. The Board recognized Carla Belt who presented the financial statement and accounts payable beginning with the bank statements and check register. It was noted that the Board packet included information from BBVA Compass Bank and some information from Wells Fargo Bank which was still operating remotely. Ms. Belt then moved to the presentation of accounts payable showing the monthly disbursements in the amount of \$316,997.71. Questions followed from the Board. The Board then moved to consideration of the budget year-to-date showing collections for August, 2020 of \$529,474.52, payables of \$444,655.69, debt service payments of \$29,400 and capital budget capital expenditures of \$31,837.20 resulting in a cash loss for the month of \$5,418.37. Ms. Belt then moved to the presentation of reports including disbursements for capital items as well as scheduled maintenance and repairs and then moved to the 5-year to monthly average reports along followed by a review of the overtime summary and billing adjustments. A lengthy discussion followed on the customer refund for account #19240510, and it was noted that the customer had been billed incorrectly for a number of years resulting in a substantial overpayment.

B. Presentation of Production Report and Operations Report. The Board recognized Benny Lewis who simply restated continuing ammonia exceedance problems at the Wastewater Treatment Plant that had been discussed in regard to agenda item 12. Mr. Lewis also noted that there was one near miss incident as one of the District's vehicle was rear-ended by a driver, and the driver of that vehicle was ticketed, and there was no injury besides the property damage. Mr. Lewis reviewed the production report, charts and graphs for the monthly operations and user profiles, water usage and water pumped to billing reports

as well as the vehicle maintenance and mileage reports and then finally the chart and schedule of complaints.

C. **Presentation of Important Dates.** The Board then recognized Mr. Starr who stated that the District had returned to full staffing following the initial reduction in staff and other shift changes due to COVID exposure issues. Mr. Starr also advised the Board of his proposed letter to customers who were found to be out of the District's service area but had been allowed to pay in-District rates due to inaccurate information. Mr. Starr noted that these customers would be advised of the new billing rate per the District's ordinance as they were not paying taxes within the District. Mr. Starr also gave further information on the reread and referral as to the 5-year issue on the meter that had been provided Carla Belt. Mr. Starr further advised issues arising from the recent disasters including Hurricane Laura and the sale of water for delivery to disaster-impacted areas. Mr. Starr also noted the continued review and possible change in District personnel policies as to vacation time accrual and that present calculations showed staff with approximately 400 days total accrued time in vacation leave, and of that, approximately 150 days was used during the pandemic period. Mr. Starr stated that the District was considering a policy of allowing a buy back of the time in order to reduce the future contingent liability on the District.

Agenda Item No. 13: Public Comments. None.

Agenda Item No. 14: 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. 15: Adjournment. There being no further business, the meeting was adjourned at 8:25 p.m.

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President of the Board

ATTEST

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Secretary of the Board