

Approval of Minutes from
January 17, 2022 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, January 17, 2022, at 6:30 p.m. at the offices of the District pursuant to notice duly posted in accordance with the law. The following members of the Board were present:

David Desormeaux

Roger Smith

Jimmy Burk

Absent: David Pitchford

Absent: Nick Carter

Also present were Robb Starr, Benny Lewis and Carla Belt as employees of the District, Toby Davis of LJA Engineering and Guy 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 where the prayer and the pledge were led by Vice President Smith.

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

Agenda Item No. 3: **Minutes of December 20, 2021.** The Minutes of December 20, 2021, were reviewed and approved as presented.

Agenda Item No. 4: **Set workshop date for Resolution 2021-12 – Amend Lumberton MUD Employees Grade and Step Plan in the Wage & Classification Plan and Hazard Pay.** It was noted in the prior Board meeting that a workshop would be set to discuss the Employees Grade and Step Plan, the Wage & Classification Plan as well as the Hazard Pay Plan. The Board agreed to set the workshop simultaneously with the planned special meeting on Monday, February 7, 2021.

Agenda Item No. 5: **Ratify prior action from December 20, 2021 Board Meeting on Resolution 2021-13 – Amend Lumberton MUD Employee Longevity Pay Plan.** It was agreed that due to the

absence of some Board members, this agenda item would be tabled until the next meeting for consideration.

Agenda Item No. 6: **Bond Engagement Letter – LJA Engineering.** The Board recognized Toby Davis who presented an Engineering Services Agreement related to the wastewater treatment plant expansion project, the collection system improvement project, the GIS mapping project, services for the TWDB funding agreement which had been previously approved by the Board, and the TCEQ Bond Application. Director Desormeaux asked for a further explanation of the total fees outlined in the Agreement. Mr. Davis noted he had provided a table showing the engineering cost relative to the various projects as presented in the bond election material and a summary of the projects for the wastewater treatment plant project and the collection system project together with the GIS mapping system project. After further discussion and upon motion duly made by Director Desormeaux and seconded by Director Burk, the Board approved the engagement letter from LJA Engineering as presented.

Agenda Item No. 7: **Status Update – Wastewater Treatment Plant Project – TCEQ Report.** The Board recognized legal counsel who provided the proposed Bond Application together with the associated exhibits to be provided to the TCEQ after Board approval presently planned for February 7, 2022. Legal counsel noted that while the District hoped it would qualify for expedited consideration of its Bond Application, the District failed to meet one of the criteria as did not have 80% or more of the area within the District's boundaries served by underground utilities. Legal counsel then reviewed in detail the Bond Application process and the steps ahead. Legal counsel also noted that the ballot proposition had included a significant line item for possible real estate acquisition and thought that might be forthcoming and necessary for the project. It was noted that if that line item or others were not anticipated to be needed for funding, the Board could consider submitting the TCEQ Application for an amount less than \$30,275,000 or the net amount after the \$44,000,000

planned bond issue through the Texas Water Development Board Clean Water State Revolving Fund. Legal counsel stated the full amount of \$74,275,000 had been approved by the voters, but the Board was not obligated to issue all of the authorized indebtedness in one or two issuance and could retain for future wastewater projects anticipated in either the wastewater plant, collection system or GIS mapping system. It was noted that the Board had on the agenda for further discussion the funding of capital projects in the water system. Legal counsel noted that no portion of the \$74,275,000 voter authorized bonds could be used in the water system as such was exclusively presented to the voters as wastewater and GIS mapping projects. The Board thanked legal counsel for the presentation.

Agenda Item No. 8: Appointment of District Committees:

- A. Investment Policy Committee.**
- B. Audit Policy Committee.**
- C. Sexual Harassment Policy Committee**
- D. Fraud Policy Committee**
- E. Emergency Repair to Orbal**

After discussion and upon motion duly made by Director Burk and seconded by Director Desormeaux, the Board approved the reinstatement of each of the noted committees with its current membership.

It was then noted that an agenda item had been incorrectly placed on the agenda which had to do with the emergency repair to the orbal. Mr. Starr indicated he would discuss that matter in his portion of the Manager's Report, and such would also be discussed by Mr. Lewis in the Production & Operations Report.

Agenda Item No. 9: Manager's Report.

- A. Presentation of Financial Statement and Accounts Payable.** The Board recognized Carla Belt who reviewed the bank statement from PNC Bank (formerly BBVA)

and the collateral pledges. Ms. Belt noted due to the holiday, the District had not received the report from Wells Fargo Bank, but would provide such to the Board. Ms. Belt then reviewed the accounts payable in the amount of \$275,004.60. She further reviewed the budget year-to-date bringing a total revenue for December 2021 of \$528,615.00 and disbursements from December 2021 of \$521,521.21 resulting in a net income for that month of \$7,093.79. Ms. Belt reviewed the budget to date noting the acquisition of a forklift in the amount of \$32,710.00. Ms. Belt returned to a discussion of the budget and noted it had higher income that might have been anticipated due to not receiving utility bills at the date the budget report was prepared. Ms. Belt reviewed the 5-year to month average report and noted in the revenue comparison the 2021 revenue to date monthly average was \$508,762.27. The overtime cost summary was reviewed as well as the billing adjustments noting several were due to water leaks, but was following its Leak Adjustment Policy which Policy was reviewed with the Board. Ms. Belt reviewed charts and graphs showing historical cash and investment balances, revenue and expense actuals to budget and the revenue fiscal year-to-date budgets which had been prepared with the assistance of the auditors. The Board thanked Ms. Belt for her report.

B. Presentation of Production Report and Operations Report. The Board recognized Mr. Lewis who provided the Production Report and Operations Report. Mr. Lewis initially noted that the wastewater treatment plant facility exceedances was five rather than four. There were four exceedances for ammonia and one for E.coli. Director Desormeaux questioned relative to the excursion for E.coli and noted this was an unusual exceedance that he had not seen in prior reports. Mr. Lewis noted this was an unusual occurrence, and the District treated and kept records of the chlorine treatment and chlorine residuals. The District had really no reason to have expected this exceedance. Mr. Lewis then reviewed the orbital

gear box and bearing failures mentioned earlier by the District Manager. It was noted in consultation with legal counsel, the pump equipment previously authorized for procurement was being acquired through emergency procurement procedures available in Chapter 49 of the Water Code. Legal counsel reviewed the procedures and advised notification was being provided to the Executive Director of the Texas Commission on Environmental Quality. Mr. Lewis then responded to questions on the acquisition of the pumps and part acquisition issues.

Mr. Lewis reviewed the Production Report noting an aggregated water loss for the year of 8%. The Board was then presented with the overtime comparison, the monthly system of charts of graphs, customer profile and usage charts and graphs and information concerning wastewater plant flows and comparisons with rainfall. The Board was reminded of the 3-year running average performance markers, relating ammonia levels, rainfall and flow and million gallons per day terms. Mr. Lewis noted on page 16 of the report, the total mileage for vehicles in the prior year had been 199,613. Mr. Lewis closed with a review of page 20 of the report stating the number of complaints was down for the month of December. The Board thanked Mr. Lewis for his report.

C. Presentation of Current Projects.

- 1. City and Council drainage project.** The Board discussed consideration of the joint City and County drainage project which would result in a requested relocation of the District's main line behind Lumberton High School. Mr. Starr noted this relocation project would be accomplished by rerouting the line around a proposed detention facility and at no cost to the District.
- 2. Discussion over increase on tap fees.** Mr. Starr then discussed the consideration of possible increases in tap fees, other service fees as well as water and sewer rates to meet the current and increasing operating costs. Mr.

Starr noted this would be a continued discussion as the District moved in the spring towards the end of its fiscal year.

3. **Discussion over possible increase on water and sewer rates.** Mr. Starr then provided additional information on the acquisition through emergency procurement of the pump for the wastewater treatment plant. Mr. Starr, Mr. Lewis and the Board discussed at length the operating procedures in the plant and the issues concerning damaged disks and the number of disks required. Mr. Starr noted many years ago the TCEQ had required the District to add additional disks following an inspection, but the increased disks seemed to create issues, and the District felt it may have too many disks and replacement of these disks were becoming very difficult. Mr. Lewis noted the pump to be acquired had the air production capacity of 44 disks. The Board then discussed the need to schedule a separate workshop in months ahead to discuss the water system needs for capital improvements to its tanks and towers and the manner by which to finance those improvements. Legal counsel noted he would be happy to attend any such workshop session but recommended the Board provide some outlines of cost so that its financial advisors could provide some information on costs and how that might affect the sizing of future revenue bonds. Legal counsel noted with the Board concurrence, this needed detailed review as the District had to meet both rate covenants and coverage covenants through its current revenue bonds in order to issue new bonds which tied to the consideration of increase in tap fees and water and sewer rates.

D. **Presentation of Directors' Reports.** None.

Agenda Item No. 10: **Public Comments.** None.

Agenda Item No. 11: Payment of Bills. After discussion and upon motion duly made by Director Desormeaux and seconded by Director Burk, the accounts payable were approved for payment as presented.

Agenda Item No. 12: Adjournment. There being no further business, the meeting was adjourned at 7:52 p.m.



President of the Board

ATTEST


Secretary of the Board