

PORTER SPECIAL UTILITY DISTRICT
MINUTES OF BOARD OF DIRECTORS REGULAR MEETING
March 25, 2024

The Board of Directors (the Board or Directors) of Porter Special Utility District (the District) met in regular session at 7:00 p.m., at 22162 Water Well Road, Porter, Texas 77365, on Monday, March 25, 2024, pursuant to notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code.

1. **Call Meeting to Order** the President, after finding that the notice of the meeting was posted as required by law, called the meeting to order at 7:00 p.m. and declared it open for such business as may come before it.

a. **Roll Call of the Board of Directors/Declaration of a Quorum**

Doug Pillow	President
Jodi Ruonavar	Vice-President
Caroline Denham	Secretary
Danny Bridges	Treasurer
Jason Ashy	Director
Donald Bell	Director
Charlie Lyons	Director

Director Denham took the roll, all Directors were present in the District Board Room, thus constituting a quorum. Also attending for the District were: Jon Polley (Attorney) and Gerald Ruiz, both with Polley Garza PLLC, Coy Sanson (Engineer) with Bleyl Engineering, and Jonathon Smith (General Manager).

b. **Invocation**

Invocation led by Mr. Smith.

c. Pledges of Allegiance

Pledges of Allegiance led by Director Ashy.

2. Public Comment

None.

3. Review and Approve Minutes

a. Minutes from the Regular Board Meeting on February 26, 2024

Director Ruonavar wanted to add notes to the Minutes about the two cards the District received from Mrs. Barr and family thanking them for their kindness during the loss of Mr. Johnny Barr.

Upon motion by Director Ruonavar, seconded by Director Bell after full discussion with all Directors present voting aye, the Minutes of the Regular Board Meeting of February 26, 2024 were approved with one addition. Motion carried.

4. Old Business

None.

5. New Business

a. Montgomery County MUD #24

- i. Wholesale Rate Study Memo, including approving wholesale water rate increase as recommended

Not a part of rate study in 2019/2020. Mr. Smith says that on the last page figure 6 proposed. Increase from \$2.10 to \$2.70 per Raftelis. MUD 24 is different than the other wholesale rates. At the end of Ford Road. MUD 84/83 is part of Oakhurst. Country Colony and others at end of Ricewood. Need to be adjusted.

83/84 are at \$3.69 to MUD 84 only. Same as Valley Ranch and Woodridge due to pressure issues. It is due to how they get their water from the District. The demand on the system is not the same at MUD 24 due to their own well water. They throttle when needed. Their well did go down and they paid overage last year. They have a ground storage tank and do not put demand on the system as others do. That is why the rate structure is different. No other rates need to be adjusted. They used to all be at \$2.10 in 2020 - \$2.84 and \$3.69 2021; MUD 24 has at full build out 1,152 connections. MUD 84 has 221 connections. Additional capacity is being required to serve new area which includes a contract amendment because they are annexing new property. Capacity request is in June. Amending contract due to Ford Road Waterline. They are well below contract capacity. Going up 38%. Putting data in every year for rate model and then reviewing in a couple of years to see if need to be adjusted. \$2.70/1,000.

Upon motion by Director Bridges, seconded by Director Ashy after full discussion with all Directors present voting aye, it was decided to increase Montgomery County MUD 84's rates from \$2.10 to \$2.70/gallon. Motion carried.

6. Financial Report

a. Financial Statements for the period ending January 31, 2024

Are there any questions that did not get answered, asked Director Pillow? Director Ruonavar asked about delinquent fees if they are recurring and was told no. Some are, but tampering fees are not. We will remove the tap and they will have to start over. Tap fees are way over budget. That is a good thing. Section 14401.8 – YTD \$10,500 and none repeat. When the Developments set meter before they get the CSI, they get a fee for that. Infrastructure fees are \$3M, Section 14402.1 is behind? No, \$300K ahead of schedule per Mr. Smith. Doing good. It is confusing, says Director Ruonavar. Miscellaneous Revenue is miscoded and refunded from work fund audit. She does not like Miscellaneous accounts. Section 16160 is SCADA, why so high? It was approved at the September 25, 2023 Board Meeting. It is pre-built and all new. HON vs. Epic. Some were outdated and we went to cellular. If Well #5 went down, we could not see anything. Replacing all PLC's. We slid in at the right time, big wells are \$30K and are now \$45K due to increases. Section 16301

– Employee Training. She will check on lists to see what is coming up, etc. A more educated Board than Employees is an issue. Mr. Smith is working on the draft budget for next year. Board Member training costs more due to where the meetings are, travelling, etc. Do not look at the dollar amounts as a value of education, because some of them can be done virtually and much closer. Guys are doing great on training and learning. Section 16501.2 has a -\$407.44. It is from an issue with a vehicle insurance claim and is negative for the year. A check from TML received 10/27/23 from a claim in 2023 reimbursement. Director Ruonavar is still confused. It is a credit not an expense. If an expense, it would be positive. Bank charges in Section 16520 show charges for the ACH's and analyzing the account analyst due to the Government. We are working with the Treasury Department of Independent Bank and trying to get this figured out. We are into Middle Management correcting this and getting it corrected due to contract expiration, of which we were unaware. Almost \$4K. Staff are working on it. Section 16523.5 – Employee appreciation is for Christmas gifts and Employee birthday cakes. Bad debt coding error in billing. Penn Corp 1/4/24, #34167, forgot to put in a number and failed to change the memo line and it has been corrected. Director Bell would like an update on the Tool Inventory Program. We are still hitting some small tools, not much Section 16505. It is working well. It does include some power tools, says Mr. Smith, also things like hoses for trash pumps, valve keys, hydrant wrenches, a lot more comes out of that. Director Bell says bigger equipment should have a tag that would be logged into a spreadsheet. Then we can have a list of what we have in the shop and who has it. We have no idea of what we are spending money on. Mr. Smith offered to provide a breakdown, but Director Bell says it is not necessary, just inventory on larger items, for insurance purposes, etc.

Upon motion by Director Ruonavar, seconded by Director Bell after full discussion with all Directors present voting aye, the Financial Statement for the period ending January 31, 2024 was approved. Motion carried.

b. Financial Statements for the period ending February 29, 2024

One issue for Director Ruonavar that popped off the page is the account analysis fee that it has been corrected and refunded. Director Pillow says that on page 2, middle item, shows \$3.6M annual budget, we have \$30K to go to meet it and 3

more months of water sales. Good job, Mr. Smith! Director Ruonavar asks why the Board was not advised that an Employee had a new baby? Mr. Smith apologized and will send out a notification.

Upon motion by Director Ruonavar, seconded by Director Bridges after full discussion with all Directors present voting aye, the Financial Statement for the period ending February 29, 2024 was approved. Motion carried.

c. Review of Quarterly Investment Report for period ending February 29, 2024

Director Bell asks on Certificate of Deposit on the Money Market Account for December – January, what fund? It says what fund on the left-hand side of the page – Debt Service Bond Fund – not numbered, about 5 pages in. Flip over zero balance, principal cash is zero. It was closed out and transferred to Tex Pool. The page after the Debt Service for the General Operating Fund, per Mr. Smith. Closed out once transferred and the beginning of July/August 2023 from GRP to Infrastructure Fund. Capital Projects Fund shows zero balance too. Plus, principal cash is zero, Balance is \$380K. Not putting funds into that account, just showing balance. Mr. Smith will ask the Bookkeeping Firm. No interest per Director Bell? These zeros do not make sense to him. Look 5 pages back, says Mr. Smith to see the beginning balance and interest at various dates, giving the \$380,809.43. Director Bell just believes should have some sort of balance. Mr. Smith says the difference in Summary of monies and Certificates of Deposits. Does not show withdrawal, as only done twice a year. Director Ashy says summary of Money Market account and summary of CDs in the Money Market Account. Mr. Polley and Mr. Smith believe Director Ashy is correct. Mr. Smith to work on an explanation and get back to the Board. Director Ruonavar tries to explain to Director Bell that there is no CD from which to earn interest. Interest is being earned from the Money Market Account, not CD's. We are getting more from our checking that you can get with CDs with Independent Bank.

Upon motion by Director Ruonavar, seconded by Director Bridges after full discussion with all Directors present voting aye, the Review of the Quarterly Investment Report for the period ending 2/29/24 is approved. Motion carried.

7. Engineering Report by Bleyl Engineering

a. Development Projects

Any questions asked Mr. Sanson?

b. Infrastructure Fee Projects

- i. Well #5 Rehabilitation, including approving Pay Application #1 from Alsay Incorporated in the amount of \$49,050

Mr. Sanson says he has only one action item. Director Ruonavar is asking about an update on that. Pulled pumping equipment, videoed well? Director Ruonavar asks if we can see the video next month. Mr. Sanson said he could send them to us individually to view. It is very interesting (like the Quarterly Investment Report), LOL. They are doing the chemical cleaning now. Mr. Smith should have more information in the General Manager's Report on Friday. Now waiting on the new pump and motor.

Upon motion by Director Ruonavar, seconded by Director Bell after full discussion with all Directors present voting aye, the Pay Application #1 from Alsay Incorporated in the amount of \$49,050 is approved. Motion carried.

c. Capital Bond Projects

Mr. Kelly asked Mr. Sanson to give us an update on the US59 crossing project. Water Well Road – removing it from one contract and putting more on another. Bull G is a bit cheaper, but it basically works out. R&B GST has to be done first. Wire wrap concrete tank first – will not do until January or so. Bull G has US59, so we are switching connection to them. To feed out back side of property. Have easement from the School and Bobcat to hook up 16" to 12" across freeway to help use Well #9 for the summer. That would be done long before June. Director Bell asks if more money, but Mr. Smith said it should equal out. Also, regarding Copeland EST, Caldwell and Bleyl met last week. 30" head range that is usable,

Caldwell's is 35". Upsize to 1M or keep 750K and keep head range. Caldwell will update firm numbers. The Highlands called today and told Mr. Smith that they are proceeding further within the next 24 months. The Highlands South of 99 – Golf Course at 1314. SW Corner of 99 and 1314. PSUD will supply water on the North side and get potential to service 1,000 to 1,500 connections. Copeland and Ferne will take care of it. The Highlands is lower than Copeland. Director Bell is concerned about the long distances and pressures. Mr. Smith says that is why we have Ferne (1/4 mile away). We will be able to take care of it. Director Ruonavar says we need to come to the Town Hall Meetings that are being done. They are usually held during lunch hour. Director Bell can come now that he is retired. You receive a lot of information. It is not just for networking. You gain lots of information. Director Ruonavar and Mr. Smith has brought information to the Board from these meetings. That is why Director Ruonavar goes to the meetings. It is information that is crucial to the growth in the District. They are huge meetings. Some take many hours, like the one our General Manager spoke at. Director Bell appreciates what you are saying, but this is about pressure and the technical aspect of how the system is running, etc. Not about the subdivision itself, just how foreseeing how we are getting water through the system. It would help if we got another map in the Board Room for reference. Mr. Kelly and Mr. Sandson can get us an updated map.

d. Impact Fee Capital Improvement Projects

e. One-Year Warranty

8. General Counsel's Report

a. Development Agreement with Adams Street Apartments

Tabled.

b. Engagement of Disclosure Counsel (Exhibit A Notice)

McCall Parkhurst & Horton – Issuance of Bonds – Job is to make sure everything that needs to be done in the Preliminary Official Statement is in there. It is explained in the Engagement Letter. They talk to Mr. Polley, Mr. Kelly, Mr. Smith,

and Staff. Part of the Bond Industry in the past and needs to be done now. Not a new role, but a new conversation about it. The fee is a broad range, payable from the proceeds and not unless/until the Bond is closed. State Law changed last year and is a contingent fee – explains why it is done like this. Minutes have to have a certain language, etc. Any questions, asked Mr. Polley? Director Bell goes back to the Table of Contents, not there yet, and Mr. Polley will answer soon. This is to authorize engagement.

Upon motion by Director Ashy, seconded by Director Lyons after full discussion with all Directors present voting aye, the Engagement of Disclosure Counsel (Exhibit A Notice) is approved. Motion carried.

c. Update on \$10,000,000 Waterworks System Revenue Bonds, Series 2024

i. Schedule for sale and closing

Chris Lane had a trip that she could not cancel, so she will be here next month. Mr. Polley is comfortable enough to go over it with us. Proposed for day of the April Board Meeting with the bids and closing in late May, 2024 – Funding more than \$10M due to chunk from last issue being available.

ii. Paying Agents Bids

Mr. Polley (after the McCall letter), schedule of fees, BOK Financial (job is currently Amegy Bank), keep track of who owns and send one payment and the agent will pay all of the others. Chris got bids from BOK and Amegy Bank and BOK proposal had slightly lower fees and they are offering to waive a one-time fee and then \$350. Amegy is \$250 and \$500. \$350 vs. \$750. Go with BOK.

Upon motion by Director Lyons, seconded by Director Ruonavar after full discussion with all Directors present voting aye, it was decided to go with BOK as our Paying Agent. Motion carried.

iii. Preliminary Official Statement

Mr. Smith just provided. Everything material is in it. Fully informed on everything good or bad. It is in it. A whole lot of factual information about the District - past, present, and future. Very helpful for Director Lyons, being a new Director. Known as a Prospectus in the Security / Financial world. Mr. Polley said 1) Tax exempt bonds – things we are saying to the world at large that we are not going to do to our tax exempt status – they do not pay income taxes on this. We have reporting/monitoring from Arbitrage Compliance. Only use for approved purposes. We are not building football stadiums or complicated income streams. 2) We are pledging net revenue as security to the bonds and setting rates accordingly. 3) The Legal Section – Mr. Polley to sign opinion as Bond Counsel that they are binding, and that interest accrues will be excludable for their income. He could spend a long time going through it. If you have any questions now or later, please ask them. Director Bell on page 18 – bonds can be used for these projects – included in the Bond Application that went to TCEQ, not legally bound to these things. If one became obsolete you may have to go to TCEQ to get permission. The bond would have to be reclassified through TCEQ. Have done in past to other bonds. “Presently estimated use....” What happens from here? Chris Lane will use this document along with Contacts and Bid Form and Notice of Sale to push into the world at large. Another version with interest rates/underwriter, etc. yet then incorporated and become Final Official Statement. May be Bond Insurance provided. Option of the Underwriters. They pay for it if they want it. Does not impact us either way. Market Bond and District, getting rating updated by the Rating Agencies. Should have bids to look at in April. Motion on 8C4. (See Below)

- iv. Order Adopting Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of Preliminary Official Statement and Authorizing Publication of Notice of Sale

Upon motion by Director Ruonavar, seconded by Director Bridges after full discussion with all Directors present voting aye, the Preliminary Official Statement is approved. Motion carried.

9. General Manager’s Report

- a. Update regarding wells and facilities, water production and demand, fleet vehicles and equipment, drought, and weather forecasts

Any questions? Director Ruonavar says they are coming along on Ford Road really well. Blazey on page 5, has that been finished – parking lot in front of the Church? Yes, but in front of the Food Truck, no due to conduit issue. They will be responsible for patching it. It is not our conduit. Concerned about page 3 Fire Hydrant at the top of page. Removal of existing fire hydrants to remove body of hydrant so no one gets on it. It is on an abandoned 6" line. The new hydrants are back further on 16" line on Spears Road. Old hydrants were removed and they cannot be reused. It is up to the contractor to dispose of them. Lots of patch work. Well #5, new information will be sent out on Friday with pictures of chemical cleaning and plunging. Brush used to clean the screens. Update on Lone Star – more than ½ way done on the coring samples. Still sometimes exercising well due to re-routing water to go to ditch and not flood their entrance. On Well #8 the GST pumps from Well, goes to aerator and goes to GST and cracks drain valve open and it drains toward the entrance. We used to run pipe and found alternative to ditch. Director Bell says we can set parameters, but we run by hand for an hour to fill up GST and it slowly drains in a week. Just to exercise. It has a bypass, but if we run longer that 20 minutes it floods the ditch and backs up into the subdivision. The system we have in place is working now and does not affect the entrance or subdivision. We do not want to run the well into the system. That valve is closed. We are waiting on filters. The plan is to put into the system. The blue hose on Well #5 is for discharge for doing work so not to flood. Carry down to help drain better. Will pick up when done operations. On page 12 you can see the sound barrier they put up at Copeland. Any idea of what Ms. Gonzales is going to speak about on page 16? Mr. Smith does not know about. Does Director Ruonavar want to be signed up – she will let Mr. Smith know. If Director Lyons wants to go, just let Mr. Smith know and he will get him signed up. Mr. Smith is a member of the Rotary Club – it is an individual membership. He will look into seeing if there is a corporate membership. Director Ruonavar asks when the AWBD Spring Conference opens up, she wants to know if there is a virtual. Director Bell loves the food, Mr. Polley says there is not a virtual option. It will not be live. Still not available for registration or the Texas Groundwater Conference. Mr. Polley says Jeff Lindner, a forecaster, will probably be there. There may be a virtual option for the Texas Groundwater. Can Taylor Cavanaugh be reached out by Mr. Smith to see when the AWBD Seminar will be open for registration. 4/18/24 is coming quickly. It is at 5:00 pm. Director Bell

enjoyed last years Seminar. AWBD Fort Worth, almost the whole Board is going says Director Bell. Then the San Antonio one, Director Ruonavar looks forward to it, it was great. Director Bell says the one in San Antonio , he wishes they would mix up the speakers a bit. Most speakers are on one side of the aisle, and not both. They need to invite more sides of the aisle.

b. Drought Contingency Plan

Instituted last year and test to see if worked – it was terrible. We have updated basic information about the District. We have updated connections, grammar changes, etc. Page 2 updated the ratio of peak vs. daily averages. The definitions stay the same. Nothing changes until Page 6 – Notification changed because the old notification was for direct mail – USPS for violations – we do not trust. We have modernized notifications using emails, cell numbers, door tags, etc. If we have to go to other stages, how will we contact customers? We would put up some signs at major intersections. We could also put PSUD Water Restriction notices on the same posts as the ones that say “Superior Water District”, too. Page 7 has a big change. The table that will be posted, if we do institute water restrictions, fines, allowed, not allowed, etc. What follows is this table in words. Page 8, Stage 1 – Voluntary Restrictions – just conserve – Mid-May of dry; If Stage 2 (B) – in past no actual percentage. Now looking at historical records, these pumping demands reaches 75%, then we go to Stage 1, if 80%, we go to Stage 2 and Stage 1 is mandatory. Things can/can not do; Resale and Wholesale, can be stricter, but not lax. Page 10 (6) 85% of then current daily water allocation, then can be in violation and fined; Breach of Contract and another set of fines; It amps up from Stage 1 voluntary – with no fines, just awareness; Stage 2 can get fines. Director Bell wants to interject – He would suggest when we start moving into the penalties we make people aware way in advance and he has neighbors that are watering and unaware of the penalties. Last year was messed up and this will not. First, written warning, but then penalties start and it will not be a surprise. This table will be on the back of the water bills. They will hate it, but will see it often. Door hangers can blow off. Some form of written communication, text, or email during business hours for first violation. Second violation will be known and escalated. It will be whatever the fine is. Emails can go into spam. Phone calls will be made too. Written into accounts notes. We will work with the customers. We are not trying to make

money off of this. We just want them to be aware. Penalties only kick in at Stage 2. When water restrictions, only two days per week can customers water, and that will be based on even / odd addresses. There will be NO watering between 8 am and 8 pm. This includes water sprinklers and water systems. Even addresses will be on Monday and Thursday and odd addresses will be on Tuesday and Friday. The other days will allow the system to breathe. Wholesale will be on the same restrictions. When we get to Stage 4, penalties will get severe. We will not make plant adjustments on one sample. Back to back days at 75%, we will have to watch this. It is not based on only one day. It will be monitored closely. Once enacted, it will take a week or so to see anything. If Stage 4, demand will be reduced by 35%. Just because we have water, does not mean you have to have the greenest grass. Director Pillow and Director Bell like it. What are the legal issues, asked Director Bell to Mr. Polley? Mr. Polley and Mr. Ruiz have looked at it and are okay with it. The State has very specific criteria and we have covered it. Even HOA's? Water supersedes HOA. We must provide copies to the wholesale customers to make sure they are in compliance with PSUD. Conservation Plan is due May 1 and it will be in the Board Book next month. As soon as it is approved, it will be sent out to the wholesale customers. They will follow us and are already asking. Mr. Smith will let everyone know once we are in Stage 1, 2, etc. He wanted something simple and easy to understand. Will it be a bit larger? Can it be lightened up, asked Director Ruonavar. Mr. Smith said yes. There is a process to appeal if people want to do so.

Upon motion by Director Ruonavar, seconded by Director Lyons after full discussion with all Directors present voting aye, the Drought Contingency Plan is approved. Motion carried.

10. Executive Session

None needed.

11. Director Comments

Director Ashy asked if the bids for the new Administration Building will be reopened. Did we receive and will we schedule a Special Meeting to discuss? It

was advertised in the Conroe Courier and also by word of mouth by PSUD and Mr. Wyatt. Bleyl did not do those bids, the Architect did.

Next month we need to consider moving the May meeting due to Memorial Day.

12. Next Regular Board Meeting – Monday, April 29, 2024 at 7:00 p.m.

13. Adjournment

There being no further business to come before the Board, upon motion by Director Ashy, seconded by Director Lyons after full discussion and all Directors present voting aye, the meeting was adjourned at 9:03 p.m.

PASSED and **APPROVED** this the 29th day of April, 2024.



President, Board of Directors



Secretary, Board of Directors

