

**MINUTES OF THE BOARD OF DIRECTORS MEETING  
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2  
October 17, 2023**

**1. Call to Order of the Regular Meeting.**

The Board of Directors of the Valley Municipal Utility District No. 2 held a Regular Meeting at 9:00 A.M., October 17, 2023 in accordance with the duly posted notice with a quorum of Directors present as follows:

Roger Nelson	President
Pat Pace	Vice-President
Jim Tipton	Director
Richard Harse	Director

Directors absent:

Clifford Rowell	Treasurer
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Others present:

Scott Fry	General Manager
Kathy Cunningham	Attorney
Albert Perez	Higginbotham Insurance
Jennifer Rector	Higginbotham Insurance
Mauricio Sampayo	Resident
Patricio Sampayo	Land Owner

**2. Public Input.**

No Public Input.

**3. Approval of the Minutes of the Regular Board Meeting Held on September 19, 2023.**

The Board reviewed the minutes of the September 19, 2023 Regular Board Meeting. A motion was made by Mr. Tipton and seconded by Mr. Harse to table the approval of the September 19, 2023 Board meeting minutes to reword the motion on Item 15. The motion was approved by unanimous vote of those present.

**4. Approval of Financial Report for the Month of September 2023.**

Mr. Fry reviewed the Financial Report with the Board for the month September 2023. Mr. Tipton made a motion to approve the Financial Report for the Month of September 2023. The motion was seconded by Mr. Harse and approved by unanimous vote of those present.

**5. Discussion and Action to Correct an Annexation Error for the Bend Subdivision.**

Mr. Fry explained that when Miguel Ortiz developed the Bend Subdivision and had it annexed into the District in 2003, the exhibit containing the metes and bounds was incorrect. They left out all of Lot 1, a large portion of Lot 37, and smaller sections of lots 2-5 and 31-36. Now that Lot 1 has sold and will need services, they will have to pay double for the services since they are out of District. Mr. Fry can re-file the correct petition for Annexation at the Courthouse, but wants to know if the Board will require Mr. Ortiz to provide the 7.135-acre feet of municipal rights for that property. Mr. Tipton questioned why the proper amount of water rights were not originally granted and suggested that Mr. Fry research the minutes of the Board Meeting of the original annexation. Mr. Tipton then made a motion to table the

annexation of the omitted pieces of property until the next meeting. The motion was seconded by Mr. Pace and approved by unanimous vote of those present.

**6. Discussion and Action to Select a Provider/Plan for Employee Group Medical Insurance.**

Mr. Perez presented the medical cost proposals from the Texas Health Benefits Pool (THBP), Blue Cross Blue shield (BCBS) and United Health Care (UHC). He explained that the new rates are based on recent employee census data. The current THBP plan has an individual deductible of \$1000.00 and an out-of-pocket maximum annual expense of \$4,000.00 for a renewal rate of \$1057.24 per employee. The BCBS plan has an individual deductible of \$1,000.00 and an out-of-pocket max of \$6,250.00 for a renewal rate of \$848.62. The UHC plan has an individual deductible of \$1000.00 and an out-of-pocket maximum annual expense of \$2,500.00 for a renewal rate of \$1,145.06 per employee. Mr. Perez stated that he met last week with Mr. Tipton and Mr. Pace to review all the options and plans including the HMO's. Mr. Tipton and Mr. Pace agreed that the BCBS quote is the better option. Mr. Pace made a motion to select the Quote #8 (69K8CHC) from BCBS for an individual rate of \$848.62. The motion was seconded by Mr. Harse and approved by a unanimous vote of those present.

**7. Discussion and Action to Extend the Contract with Bryant Industrial Services of Port Isabel for Resaca Dredging.**

Mr. Fry explained that Bryant has come to the end of his contract bid of \$380,000.00 for the dredging of the resacas. They have been unable to get his smaller boat launched in the resaca to begin work on the other side of the Escandon bridge, but he could have it here next week. Mr. Fry recommended extending his contract since his price was fair and the Texas Water Code allows Districts to increase contracts by up to 25% without having to re-bid them. Mr. Pace made a motion to approve the extension of the dredging work by Bryant Industrial Services to a price not to exceed the original project estimate of \$450,000.00. The motion was seconded by Mr. Tipton and approved by unanimous vote of those present.

**8. Discussion and Action to Establish an IRS Section 125 Plan as an Employee Benefit.**

Mr. Fry stated that the establishment of an IRS Section 125 Plan will allow for the District employees to pay for health related items pre-tax on their paycheck deductions. Ms. Jennifer Rector explained that there is a one time set-up fee of \$300.00 and then a \$150.00 yearly subscription fee. Items that would fall under this are medical dependent care coverage and the employee paid supplemental insurance. Mr. Tipton made a motion to approve the establishment of an IRS Section 125 Plan as an employee benefit. The motion was seconded by Mr. Harse and approved by unanimous vote of those present.

**9. Discussion and Action to Engage GDS Associates, Inc. of Austin to Update the District's Rate Model.**

Mr. Fry explained that the rate study that GDS Associates performed as part of the PUC lawsuit was for the Fiscal Year 2021. Since the District is considering a rate increase for the upcoming year, GDS has provided a proposal to re-produce their model using current numbers. Mr. Chuck Loy with GDS Associates presented a proposal estimating a cost in the \$10,000.00 to \$15,000.00 range. Mr. Tipton stated he would like for Mr. Fry to present the 2021 study so that they can review the rate increase for that year. If the District can work with that study, then he thinks the current study will not be necessary. Mr. Harse made a motion to table this item to the November meeting until they review the 2021 study. The motion was seconded by Mr. Tipton and seconded by unanimous vote of those present.

**10. Discussion and Action Regarding the Budget for the 2023-24 Fiscal Year.**

Mr. Fry presented and reviewed the Budget with the Board. He then stated that it is complete except for the payroll adjustments which he will work on to present next month. He also explained that the Reserve expenses will be removed and reallocated in the regular expenses. The Committed line item will not show any more on the Income Statement, but the monthly transfer will still take place. On a motion by Mr. Pace and a second by Mr. Tipton, this item was tabled.

**11. Updates and Old Business.**

Mr. Fry gave an update on the following items.

- a. New Wastewater Treatment Plant - Mr. Fry gave an update on this project.

**12. General Manager's Report**

- **Production and Sales Report-** The water loss report for September 2023 shows 12.47% unaccounted for water loss.
- **Production Report-** Mr. Fry discussed the improved production of the R.O. Plant.
- **Raw Water Report-** Mr. Fry discussed the raw water report.
- **Customer Complaints-** Mr. Fry explained the September 2023 complaints.
- **Operations Report-** The operations report for September 2023 was explained.
- **Vehicle Maintenance Report-** The report was presented and reviewed.

**13. The Board May Enter into Executive Session as Allowed By Government Code Pursuant to:**

On a motion by Mr Tipton and a second by Mr. Harse, the Board voted unanimously to enter Executive Session at 10:08 a.m.

- a. Section 551.071(1)(A&B) to Discuss Pending or Contemplated Litigation and/or A Settlement Offer Related to the River Bend POA Rate Appeal to the Public Utility Commission of Texas.

The Board continued in Executive Session and began the discussion of item b. at 10:34 a.m.

- b. Section 551.072 to Discuss the Purchase of Real Property Related to Land Acquisition for the New Wastewater Treatment Plant.

On a motion by Mr. Pace and a second by Mr. Harse, the Board voted unanimously to exit the Executive Session at 10:58 a.m.

**14. Discussion and Action Relative to the Executive Session.**

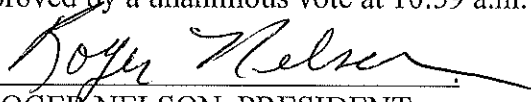
- a. River Bend POA Rate Appeal to the Public Utility Commission of Texas.
- b. Land Acquisition Related to the Construction of a New Wastewater Treatment Plant.  
No action was taken on either item a. or b.

**15. Adjourn.**

There being no further business, Mr. Tipton made a motion to adjourn the meeting, The motion was seconded by Mr. Harse and approved by a unanimous vote at 10:59 a.m.

ATTEST:

  
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PAT PACE, VICE-PRESIDENT

  
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ROGER NELSON, PRESIDENT

