

**MINUTES OF THE BOARD OF DIRECTORS MEETING
VALLEY MUNICIPAL UTILITY DISTRICT NO. 2
September 13, 2022**

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 9:02 A.M., September 13, 2022 in accordance with the duly posted notice with a quorum of Directors present as follows:

Roger Nelson	President
Jim Tipton	Secretary
Richard Harse	Director
Clifford Rowell	Treasurer
Pat Pace	Vice-President

Others present:

Scott Fry	General Manager
Kathy Cunningham	Attorney
Albert Perez	Brisky and Perez Insurance

2. Public Input.

There was no Public Input.

3. Approval of the Minutes of the Regular Board Meeting Held on August 16, 2022.

The Board reviewed the minutes of the August 16, 2022 Regular Board Meeting. Mr. Rowell made motion to approve the August 16, 2022 minutes. The motion was seconded by Mr. Tipton and approved by unanimous vote of those present.

4. Approval of Financial Report for the Month of August 2022.

Mr. Fry reviewed the Financial Report with the Board for the month August 2022. Mr. Tipton made a motion to approve the Financial Report for the Month of August 2022. The motion was seconded by Mr. Rowell and approved by unanimous vote of those present.

5. Discussion and Action to Select a Health Insurance Plan From the Texas Municipal League for the Upcoming Fiscal Year, should the District Choose to Continue with TML.

Albert Perez presented the medical renewal cost projection from the Texas Municipal League, Blue Cross Blue Shield of Texas, United Healthcare and Humana. He stated that the quotes from BCBSTx, Humana, and UHC are based on current rates and that the TML rates have increased by 17.1 %. He added that TML's rates still remain the lowest in comparison to the same plans that the other companies offer. The current TML 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 \$539.50 per employee. Mr. Perez also presented four alternative quotes from TML based on differing deductibles and out of pocket maximum expenses. Mr. Tipton made a motion to accept the renewal offer from TML and keep the same plan at \$539.50 per employee. The motion was seconded by Mr. Rowell and approved by unanimous vote of those present.

6. Discussion and Action to Contract with a Certified Public Account for the 2021-'22 Fiscal Year Annual Audit.

Mr. Fry then presented the engagement letter from CRI for Board review and stated that the cost for the regular audit will be \$20,200.00 plus \$5,500.00 for the Single Audit report. Mr. Rowell made a motion to engage Carr, Riggs, and Ingram to perform the District's Annual Audit. The motion was seconded by Mr. Tipton and approved by unanimous vote of those present.

7. Presentation of the 2022-'23 Fiscal Year Budget.

Mr. Fry presented and explained the Budget Book for the upcoming year. He stated that it includes a detailed breakdown of each item, the budget history, a brief explanation of why the proposed amount may be changing. He pointed out that he highlighted the \$27,000.00 in Administration Professional Expenses because he wants the Board's input on the amount. This expense is high due to the River Bend Rate law suit and may change next year if it is recovered. Mr. Tipton recommended making this amount \$50,000.00. After a brief discussion and review of the budget, no action was taken. Mr. Fry stated that he would bring this item back at the next Regular Board meeting.

8. Public Hearing on the District's Tax Rate for the Upcoming 2022-23 Fiscal Year.

Mr. Tipton motioned to open the Public Hearing at 10:01 a.m. The motion was seconded by Mr. Harse and approved by unanimous vote of those present. There being no members of the public present, Mr. Rowell made a motion to close the Public Hearing. The motion was seconded by Mr. Tipton and approved by a unanimous vote of those present.

9. Discussion and Action to set the District's Tax Rate for the Upcoming 2022-'23 Fiscal Year.

Mr. Fry recommended that the Board maintain the current Tax Rate of \$0.35/\$100.00 of valuation which includes a \$0.10/\$100.00 of valuation for the Maintenance and Operations Tax Rate, and a \$0.25/\$100.00 of valuation for the Interest and Sinking Fund Tax Rate. A motion was made by Mr. Rowell to establish the Fiscal Year 2022-'23 Tax Rate as stated at \$0.35/\$100.00 of valuation. The motion was seconded by Mr. Tipton. The motion was approved by unanimous vote of those present.

10. Discussion and Action to Award a Contract to Bryant Industrial Services for the 2022 Resaca Del Rancho Viejo Silt Removal Project in the amount of \$381,000.00

Mr. Fry stated that he advertised the Silt Removal Project in the Brownsville Herald for two consecutive weeks and he only received one bid. The bid came from Bryant Industrial Services, LLC of South Padre Island in the amount of \$381,000.00. They specialize in mechanical dredging on barges and are ready to start working in mid-November. Mr. Pace made a motion to award the Silt Removal Project to Bryant Industrial Services. The motion was seconded by Mr. Rowell and approved by unanimous vote of those present.

11. Discussion and Action to Amend Section G of the District's Service Policies to Require Water Rights (Or A Fee in Lieu of) For New Developments and For Out of the District Irrigation.

a. Annexation into the District.

Mr. Fry explained that the District has always required an acre of Municipal Water Rights per acre of development for annexation into the District. This type of annexation does not take into account the density of developments. He stated that he investigated other local utilities, and that both Agua SUD and East Rio Hondo WSC require water

rights for all new developments basing their requirements on Living Unit Equivalents (LUE's). Mr. Fry then proposed that the District continue to require the transfer of 1.0 acre feet of municipal rights per acre of annexed property transferred to the District, and then once a final development plan is submitted that the District, the developer would be required to transfer 0.625 of an acre foot of municipal rights per proposed LUE minus the water rights which were provided as a condition of annexation. Mr. Fry noted that the District should also accept a fee in lieu of the transfer of municipal water rights based on the current rate for those rights at the time of development.

- b. New Developments within the District. Mr. Fry stated that to his knowledge, the District has not required any water rights to be transferred for developments which occur within the District boundary. Mr. Fry proposed that for new developments within the District, a developer should transfer 0.625 acre-feet of municipal rights per LUE, but may also pay a fee in lieu of development based on the same ratio applied to the current going rate for a municipal water right.
- c. Water charges for outside of the District who wish to use District water rights. Mr. Fry explained that the service policy states that customer outside of the District pay \$2.00 extra per acre foot of water, in addition to the normal pumping charges. He then proposed that customers pay the current pumping charge, based on the District's Service Policies, plus the going rate of water rights per acre-foot of water pumped.

After a brief discussion, Mr. Tipton suggested making the necessary changes and corrections and present it again at the next meeting. Mr. Tipton made a motion to table this item until the next Board meeting. The motion was seconded by Mr. Rowell and approved by unanimous vote of those present.

12. Discussion and Action To Amend Section G of the District's Service Policies to add a fee for the Installation, Maintenance And Removal of Resaca Aerations.

Mr. Fry presented and explained his suggested amendment to Section G of the Service Policies Manual. The District may install aerators in the Resacas at customers' request, but the District will select the aerator and purchase the materials. Customers will have to pay all the costs incurred for the installation, plus the monthly electricity. The District will maintain the Aerator for a fee of \$100.00 per service call, plus time and material expenses. If the aerator fails and the applicant refuses to pay the service fee, the District will remove the aerator and the applicant will be liable for an additional \$100.00 for the removal fee. Mr. Rowell stated that the applicant should have an electrical source near the edge of the water for the District's Electrician to be able to easily connect to. Mr. Rowell made a motion to table this item until the next Board meeting. The motion was seconded by Mr. Pace and approved by unanimous vote of those present.

13. Discussion and Action on the Drought Contingency Plan.

Mr. Fry informed the Board that the recent rains have helped and he has been taking all the free pumping water he can to fill the resacas. Mr. Fry stated that he has not yet received the current month's allocation of water rights to be able to determine if it meets the threshold to lower the Stage of the Drought Contingency Plan. He recommended that the Stage 3 of the Drought Plan continue. No action was taken.

14. Updates and Old Business.

Mr. Fry gave an update on the following items.

- a. Potential Wastewater Treatment services from Neighboring Utilities – Mr. Fry suggested that the District contract with an engineer to begin a preliminary study to see if we can re-

rate the capacity of the Rancho Viejo Plant, or begin the process of constructing a new package sewer plant in the central portion of the District. No action was taken.

15. General Manager's Report

- **Production and Sales Report-** The reported water loss August 2022 shows 5.19 % 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-** There was 4 customer complaints for the month of August 2022.
- **Operations Report-** The operations report for August 2022 was explained.
- **Vehicle Maintenance Report-** The report was presented and reviewed.

16. The Board Entered into Executive Session as Allowed By Government Code 551.074 to Discuss A Personnel Issue and/or Section 551.071(1)(A) to Discuss Pending Litigation.

Mr. Rowell made a motion to enter into executive session at 10:53 a.m. The motion was seconded by Mr. Pace and approved by a unanimous vote of those present. The Board then emerged from the Executive Session at 10:59.

17. Discussion and Action Relative to the Executive Session.

- a. River Bend Rate Appeal to the Public Utility Commission.
Mr. Rowell made a motion to reject the latest settlement proposal from the River Bend P.O.A. The motion was seconded by Mr. Pace and approved by a unanimous vote of those present.

18. Discussion and Action to Authorize General Manager to Purchase Through a Co-Operative Purchasing Program.

Mr. Fry presented a Buy Board quote from Caldwell County Chevrolet for the purchase of a new Dodge Ram Pick-up. Mr. Rowell made a motion to authorize the General Manager to purchase a new Dodge Ram Pick-Up through the Buy Board Cooperative Purchasing Program. The motion was seconded by Mr. Pace, and approved by a unanimous vote of those present. Mr. Tipton suggested checking local dealerships for equivalent used trucks prior to executing the purchase. Kathy suggested that this item be brought back to the Board at the next meeting for affirmation, since the agenda item is vague.

19. Adjourn.

There being no further business, Mr. Rowell made a motion to adjourn the meeting, seconded by Mr. Pace at 11:30 a.m.



ROGER NELSON, PRESIDENT

ATTEST:



JIM TIPTON, DIRECTOR