

BROOKSHIRE MUNICIPAL WATER DISTRICT

MINUTES OF BOARD OF DIRECTORS REGULAR MEETING

May 24, 2021

The Board of Directors (the "Board" or "Directors") of Brookshire Municipal Water District (the "District") met in special session on the 24th day of May, 2021, at 6:00 p.m., in the meeting room of the District, 4004 6th Street, Brookshire, Texas and via telephone conference call pursuant to Texas Government Code, Section 551.125, as amended, and as modified by the temporary suspension of various provisions thereof effective March 16, 2020, by the Governor of Texas (the "Governor") in accordance with the Texas Disaster Act of 1975, all as related to the Governor's proclamation on March 13, 2020, certifying that the COVID-19 pandemic ("COVID-19") poses an imminent threat of disaster and declaring a state of disaster for all counties in Texas; whereupon the roll was called of the members of the Board, to-wit:

Stephanie Green	President/Investment Officer
LaKethia Connor	Vice President
Shirley Williams	Secretary
Havanaugh Glover	Assistant Secretary
Michael Whitaker, Jr.	Director

All members of the Board were present, with Director Glover attending via telephone conference call, thus constituting a quorum. Also attending were Tonya Pierre ("General Manager"); Linda Guevara, employee of the District; Steve Haskins of Protocol Bookkeeping, Inc. ("Bookkeeper"); John Taylor of Municipal Operations and Consulting, Inc. ("Operator" or "MOC"); Monica A. Garza, attorney, of Radcliffe Bobbitt Adams Polley PLLC ("Attorney" or "RBAP"); and all persons on the attached Attendance Roster. Also attending via telephone conference call were James Weishuhn of Weishuhn Engineering, Inc. ("Weishuhn"); and John Howell, Jr. of The GMS Group, L.L.C. ("Financial Advisor").

The President, after finding that notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order at 6:02 p.m. and declared it open for such business as may regularly come before it.

1. Review and Discuss Rate Order.

Mr. Howell discussed the District's recent application to Government Capital Corporation ("Gov Cap") for a loan to fund various projects within the District, including smoke testing of the District's sanitary sewer lines. Mr. Howell reminded the Board that the District previously issued bonds in 2019 that were purchased by the Texas Water Development Board (the "TWDB") (the "2019 Bonds"). Mr. Howell further stated that pursuant to certain covenants in the bond order for the District's 2019 Bonds, if the District issues any additional bonds or obligations on parity with the 2019 Bonds, the District must be able to pass what is known as the Additional Obligations Test by demonstrating that the District's revenue exceeds its expenses by 1.25 times. Mr. Howell then stated that Gov Cap requires the proposed loan to the District to be in parity with the 2019 Bonds, meaning that Gov Cap would have a lien equal to the TWDB on the District's revenues in terms of its right to being paid back on the loan. Mr. Howell then reported that the District's current

operating budget is \$1,723,000 and the District's annual expenditures total \$2,224,000. Mr. Howell stated that if the District increased its revenue by a minimum of \$610,000 per year, the District's revenue would exceed its expenses, as incurred over the last 12 months. Ms. Garza clarified that the District must increase revenue by more than such amount in order for the District's revenue to exceed its expenses by 1.25 times.

Discussion next ensued regarding raising water and sewer rates for residential and commercial customers. Mr. Howell stated that in order to immediately increase the District's revenue by \$610,000 per year, each connection within the District must generate an additional \$31 per month. Mr. Howell then reviewed a rate study prepared by Mr. Taylor with proposed increases to the District's water and sewer rate tiers (the "Rate Study"). Mr. Howell suggested that if the District increases water and sewer rates to generate an amount of revenue equal to the combined total of its existing and proposed debt obligations, the TWDB may waive the requirement that the District's revenue exceed its expenses by 1.25 times. Mr. Howell then stated that Mr. Haskins can provide the Board with an opinion regarding reducing the District's annual expenses.

Discussion next ensued regarding the Rate Study prepared by Mr. Taylor. Ms. Garza stated that before a new Rate Order with an increase in rates can take effect, it should be published twice during two (2) consecutive weeks in a newspaper of general circulation within the District. It was the consensus of the Board to table further discussion regarding increasing water and sewer rates until the regular Board meeting to be held on June 21, 2021.

Upon a **motion** by Director Connor, seconded by Director Whitaker, after full discussion and with all Directors present voting aye, the Board authorized publication of a notice of rate increases prior to new rates taking effect.

Director Glover and Mr. Howell exited the meeting at this time.

Next, discussion ensued regarding scheduling two (2) special meetings to further discuss amending the District's Rate Order and to review the budget for the Fiscal Year Ending ("FYE") August 31, 2022. It was the consensus of the Board to schedule such special meetings on June 14, 2021 and June 15, 2021.

2. Review Budget for FYE August 31, 2022.

Discussion then ensued regarding the District's expenditures during the FYE August 31, 2021 and certain budgetary line items that are able to be reduced in the FYE August 31, 2022 budget. Further discussion ensued regarding Directors' fees and expenses incurred during attendance at conferences.

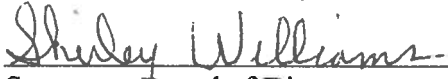
Director Glover re-entered the meeting at this time.

Director Connor requested that Mr. Haskins coordinate with Mrs. Pierre and Mr. Taylor to identify line items in the FYE August 31, 2022 budget that can be reduced, and to provide recommendations regarding the same at the regular Board meeting to be held on June 7, 2021.

3. **Adjournment.**

There being no further business to come before the Board, the Board meeting was adjourned at 7:51 p.m.

PASSED, APPROVED and ADOPTED this the 7 day of JULY, 2021.


Secretary, Board of Directors

(DISTRICT SEAL)

