

**BROOKSHIRE MUNICIPAL WATER DISTRICT**  
**MINUTES OF BOARD OF DIRECTORS REGULAR MEETING**

**May 13, 2021**

The Board of Directors (the "Board" or "Directors") of Brookshire Municipal Water District (the "District") met in special session on the 13<sup>th</sup> day of May, 2021, at 5:00 p.m., in the meeting room of the District, 4004 6<sup>th</sup> 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"); 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 Dr. Herman Clay, PhD ("Engineer"); 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 5:04 p.m. and declared it open for such business as may regularly come before it.

**1. Public Comment.**

The President first opened the meeting to public comment. There being no public comments, the President directed the Board to proceed with the agenda.

**2. Update on Matters Related to Compliance with the Sanitary Sewer Overflow ("SSO") Initiative Program.**

Director Green reminded the Board that Mrs. Pierre submitted an application to Government Capital Corporation ("Gov Cap") on behalf of the District for a loan in an amount not to exceed \$510,000.00 in order to fund various projects within the District, including smoke testing of the District's sanitary sewer lines. Director Green reported that Mr. Barner notified Mrs. Pierre last week that Gov Cap may not approve the District's request for a loan due to certain covenants in the bond order for the District's 2019 Bonds that were purchased by the Texas Water

Development Board (the "TWDB"). Director Green then reminded the Board that it previously approved a contract with Magna Flow Environmental ("Magna Flow") for smoke testing of the District's sanitary sewer lines subject to securing a funding source. Director Green stated that such project must be completed by September 1, 2021, in order to comply with the SSO Program, and recommended that the Board authorize immediate execution of the contract with Magna Flow. Director Green then explained that the District's budget for the Fiscal Year Ending ("FYE") August 31, 2021, includes a budgeted line item to pay the costs associated with the SSO Program, which includes the smoke testing project.

In response to a question from Director Connor regarding the issues related to Gov Cap's approval of a loan, Ms. Garza explained that Gov Cap and the above-mentioned bond covenants require that the proposed new loan be in parity with the District's 2019 Bonds purchased by the TWDB, meaning that such loan is equal to the 2019 Bonds and that Gov Cap does not have an subordinate lien on the right to being paid back on the loan. Ms. Garza further explained that pursuant to such covenants and Gov Cap's requirements, taking out a loan from Gov Cap is issuing new obligations/debt that is in parity with obligations/debt owed to the TWDB for purchasing the 2019 Bonds. Therefore, 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. Ms. Garza then reported that when the District's Auditor, who is a Certified Public Accountant ("CPA") reviewed the District's financial statements, she determined that the District's revenue does not currently exceed its expenses by the requisite 1.25 times.

Mr. Howell then also explained that the Additional Obligations Test requires that you include the expenses combined total of the District's existing bond obligations and the proposed new debt obligations. Mr. Howell then stated that in order for the District to generate a sufficient amount of revenue to exceed its existing and proposed debt obligations, the District must raise water and sewer rates. Mr. Howell then stated that he believes if the District can demonstrate that its revenue exceeds all debt obligations by 1.0 times, the TWDB may waive the requirement that revenue exceed expenses by 1.25 times. Mr. Howell went on to explain that the TWDB and Gov Cap require that RBAP, as the District's bond counsel, issue a bond counsel opinion on the Gov Cap loan that determines that interest earned on such loan is exempt from taxation in order for the District to obtain such loan. Mr. Howell further explained that the TWDB requires a CPA to perform the above-mentioned Additional Obligations Test.

Discussion ensued regarding funding the smoke testing project. Director Glover stated that the line item in the District's FYE August 31, 2021 budget that pertains to the SSO Program projects will not fully fund the smoke testing project. Upon a **motion** by Director Whitaker, seconded by Director Conner, after full discussion and with four (4) Directors present voting aye, and Director Glover voting no, the Board authorized execution of the contract with Magna Flow for the smoke testing of the District's sanitary sewer lines.

### **3. Discuss Setting Budget Workshop.**


Discussion next ensued regarding scheduling a special meeting to review the proposed budget for the FYE August 31, 2022. It was the consensus of the Board to hold such meeting on May 19, 2021, at 5:00 p.m.

Next, discussion again ensued regarding the District's 2019 Bonds and the bond covenant requiring that the District pass the Additional Obligations Test. In response to a question from Director Connor regarding why the District agreed to such covenant, Ms. Garza explained that such covenant is standard in bonds purchased by the TWDB and through other lenders so that such lenders can ensure that they will be paid by issuers such as the District.

4. **Adjournment.**

There being no further business to come before the Board, the Board meeting was adjourned at 5:43 p.m.

PASSED, APPROVED and ADOPTED this the 21 day of JUNE, 2021.

  
Secretary, Board of Directors

(DISTRICT SEAL)

