

debt now to mitigate specific financial or operational risks, instead of spreading the projects over the 5-year Capital Improvement Plan (“CIP”). They asked about the estimated interest costs over the bond’s lifespan and whether the financial advantages of debt issuance outweigh the benefits of using existing cash. Alternatives to bonds were discussed, including whether a pay-as-you-go approach was modeled using current reserves and projected revenues, and the reasons for rejecting that option. Concerns were raised about challenging the bond issuance and the justification for issuing bonds for core infrastructure, while funds are diverted to parks, litigation, and deed enforcement. Residents also questioned the calculations and estimates in the BAR, concerns about project oversight, and the allocation of bond funds toward smart meter installation. They wondered why the Engineer recommended replacing meters that were still years from their expected replacement date. Questions about the 12-month reserve and its impact on bond funds, as well as the difference in interest rates if reserves were maintained for 6 months instead of 12, and the District's transition from 6-month to 12-month reserves. Additional topics included tax bill analysis, whether using 1 year of maintenance expenses is sound financial practice, whether anyone has conducted a current-value analysis of water meters, and the timeline for repairing lift stations.

Agenda Item No. 4: Discuss possible bond sale and take necessary actions related to bond sale, including:

- (a) consider Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds (Bond Application Report No. 9);**

Mr. Howell introduced himself, stating that he is a consultant for the District through his firm, The GMS Group (“GMS”).

Mr. Howell then addressed the public regarding the Resolution Authorizing Application to the Texas Commission on Environmental Quality (“TCEQ”), stating that if the Board approves the resolution and submits it to the TCEQ, the District is not required to sell the bonds. He added that the District can choose to use bond funds for infrastructure projects or use the general operating fund.

Mr. Howell stated that it is a generally accepted standard for municipal utility districts (“MUDs”) operating water and sewer services to maintain a twelve (12)-month reserve. He stated that maintaining a reserve allows the District to pay for unforeseen expenses with cash on hand. He further stated that if the District decides to sell the bonds, he recommends that the District maintain a 12-month reserve to secure a strong investment-grade rating from Standard & Poor’s Global Ratings (“S&P Rating”) and, in turn, obtain better pricing on bond insurance and lower interest rates.

Mr. Howell next discussed bond-rating agencies and bond-insurance companies, and how each operates in relation to a bond sale.

Mr. Howell then summarized a report he prepared on interest rates. A copy of the report is attached as Exhibit “A.”

Mr. Howell then discussed his fiduciary duty to the District, stating that when GMS was engaged by the District, GMS provided a Municipal Securities Rulemaking Board (“MSRB”) Rule G-42 letter (“G-42 letter”). He stated that the letter defines GMS’s fiduciary obligations to the District and discloses any conflicts of interest, noting that there are none at this time. Mr. Howell stated that he has received multiple emails regarding the District selling bonds and GMS collecting its fee, and that being a conflict of interest. Mr. Howell confirmed that his firm receives a fee when the District sells bonds, and that the fee increases as the District sells more bonds. Mr. Howell stated that the G-42 letter states that GMS has a fiduciary obligation to act in the District’s best

interest, and that promoting bonds unnecessarily to the District would be in direct conflict with that obligation.

Mr. Howell then addressed public concerns about the timing of bond issuance. He stated that, from a financial perspective, we know what the bond market looks like today, but we won't know what it will look like if the District waits three years.

Director Avila offered comments on the aging infrastructure and the risk factors behind the Board's decision to issue bonds, and asked Mr. Konopka to provide background and examples of risk factors he has encountered with other MUDs.

Mr. Valentien then addressed the public regarding the BAR and summarized the projects in the report, which is available online on the District's website.

Director Rocco then offered comments on his time on the Board and his involvement in issuing District bonds from 1992 through 2020. Mr. Rocco addressed false claims that bond funds were used for non-infrastructure projects, stating that such use is against the law.

Director Jones discussed the bonds, emphasizing that issuing them is necessary and noting that the District is familiar with the BAR process, having used it in prior bond issuances. She highlighted that the Board is moving forward with the bond issuance to avoid future problems. She also stressed that replacing the lift stations is essential and that a proactive approach will help prevent costly emergency repairs.

Director Avila addressed the public on political obstacles that hinder the Board's ability to make decisions. He explained that over the past decade, the Board has repeatedly sought to acquire smart water meters. Although the District's savings could cover repair costs, no final decisions have been made. He emphasized his goal of ensuring the District completes high-priority projects through the bond process. He also addressed false information circulating within the District, clarifying that the District is not overstepping its authority and that proper safeguards are in place. He highlighted the District's history of using bond funds.

Director Norrell then addressed the comments about the website cleanup, stating that they are working to make the website more accessible. She also noted that Westwood's reports have been available online on the District's website.

Director Avila then addressed the public, explained how to access the documents online, and advised that if they are unavailable, they should contact the attorney for the records.

Motion: Approve Resolution Authorizing Application to the Texas Commission on Environmental Quality for Approval of Project and Bonds (Bond Application Report No. 9);

Motion by: Director Rocco

Second by: Director Norrell

Ayes: Jones, Rocco, Avila, Norrell

Agenda Item No. 5: Such other matters as may come before the Board, including;

- (a) discussion about items to be included on the agenda for future meetings (next meeting date is 15 April 2026); and**
- (b) schedule future meetings as required.**

There being no further business to come before the Board, the meeting adjourned.



Secretary, Board of Directors