

Westwood Shores MUD Board Meeting Update

January 24, 2025

Thank you to all who attended our January 13 special meeting and our regular meeting on January 20. Below are some highlights. Board minutes from our regular meeting which are the formal record of meeting decisions will be posted on our website after approval at our next meeting (www.westwoodshoresmud.com – see District Information Tab). Minutes from our December 16 and January 13 meetings are posted.

Special Meeting:

The Board met for a broad discussion of the condition of District assets and to prioritize projects as we prepare to issue new bonds later this year. The discussion addressed administrative issues related to recordkeeping in addition to key operational priorities as follows:

High Priority:

- Replace Motor Control Center at Water Plant 1: this is the electrical “nerve” center of the plant. Ours is obsolete and if it fails without a back-up in place, it may be time-consuming to source.
- Sewer Line Testing and Repair: systematically identify the most severe areas of silting and root intrusions to prioritize repairs and mitigate over-silting at the Wastewater Treatment Plant.
- Water Pipe Testing and Repair: systematically identify customers most impacted by brown water occurrences, identify causes and prioritize line replacement.
- Water Valves: locate buried valves, install valves required at “dead-ends”, prioritize repair of critical broken valves identified in past surveys.
- Water Plant #1: upgrade pipes and improve backwash capability.

Medium Priority:

- Water Plant #1: recoat Ground Storage Tank; may take several months to complete and will require reliance on Water Plant #2 while Water Plant 1 is not operational.
- Water Plant #2: improve utilization including possible increases in drinking water supply.
- Wastewater Treatment Plant: Desilt all tanks.
- Lift Stations: Continue improvement program for those not impacted by 2025 project.
- Manholes: Develop improvement plan for manholes not prioritized in high priority sewer line project.

Regular Meeting

Engineer (Civil Grade):

- Lift Station Improvements: The Texas Water Development Board (“TWDB”) Engineering Feasibility Report has been submitted for TWBD review and approval. This project will improve 6-7 lift stations designed to serve approximately 500 current homes. Project funds of \$1,000,000 are from our 2020 Clean Water State Revolving Fund bonds.
- Lead and Copper Rule Revisions – Lead Service Line Replacement Project:
 - In December we completed our bond issuance through the TWBD. We borrowed approximately \$1,590,000; 51% of which will be forgiven. We issued \$775,000 in bonds, \$320,000 of which will be paid back with zero interest.
 - For this project, we estimated the number of homes constructed in the District prior to 1988. That is the year in which the EPA mandated that lead pipes could no longer be used in home construction. While many builders switched to PVC pipes prior to this time, our Bond funds will allow us to test service lines to these homes and confirm whether lead pipes are present.
 - We sent letters to 358 customers in December and will conduct a public outreach program to try to narrow down the count of homes which we believe need further investigation of service lines. We hope to have this Phase 1 research phase complete by October.
 - The actual replacement of service lines (Phase 2) is estimated for completion in Summer 2026.
- Water Quality and Water Plant 1:

- Engineer and our new Operator, H2O Innovation have adjusted our water treatment process resulting in a reduction in bleach required to treat water for distribution.
- In December the Board authorized use of 2020 Drinking Water funds for water quality improvements including the relocation of lines entering the Ground Storage Tank and chloramine treatment equipment recommended by the TCEQ to mitigate the formulation of Trihalomethanes (“TTHM”). Engineer is authorized to coordinate with our operator to install equipment at a Not to Exceed (“NTE”) amount of \$10,000.
- New Bond Issuance:
 - In follow-up to our January 13 Special Meeting, our Engineer presented a Bond Issuance Report Summary of Cost outlining projects totally \$3,780,000. After input from our Financial Advisor regarding the recommendation to include capitalized interest, we anticipate issuing \$3,810,000 of bonds in Fall 2025.
 - Engineer was authorized to prepare and submit a bond application to the TCEQ for review and approval and to also prepare Project Information Form to the TWDB for consideration in its next Intended Use Plan. This will allow us to pursue two possible tracks for issuing bonds.
 - Current property tax cost projections for issuance are in line with what was presented to voters during our 2024 Bond Authorization Election.

Operations (H2O Innovation):

- H2O Innovation (“H2O”) became our new Operator effective December 16 and they had a smooth transition with our prior operator.
- We are working with H2O on the format of monthly reporting and will return to a more detailed update of water supply demand in future updates.
- We had minimal emergency repairs in December with no significant unplanned operating expenses.
- TCEQ: We received notice from the Texas Commission on Environmental Quality (“TCEQ”) related to record keeping on monthly flushing, customer complaints and scheduling of filtration system backwashing. We plan to resolve these issues by the TCEQ’s deadline in May 2025.

Bookkeeper:

- We track our books across three fund areas: General Operating, Capital Projects, and Debt Service.

Fund Book Balances as of December 31, 2024:

General Operating	\$ 239,253
Capital Projects	\$ 1,662,200
Debt Service	\$ 317,411

- Budget: Below is fiscal year spending versus the budget (unaudited). Year to date expenses exceeded revenues by \$196,330. December was the first month since last February that monthly revenues exceeded expenses. We have completed 6 months, or 50% of our budget year on a time basis and have incurred almost 66% of our anticipated expenses. The major overages are for sewer plant, sewer line and lift station related costs. December monthly Operating Income was slightly ahead of budget due to approximately \$66,000 in insurance proceeds from flooding/hurricane claims.

Budget Category	7/1/24 – 12/31/24 Actuals	7/1/24 - 6/30/25 Budget	Actuals as % of Budget
Operating Income	\$ 1,214,013	\$ 2,486,700	48%
Total Expenses	\$ 1,410,343	\$ 2,151,532	66%
Net Income	(\$ 196,330)	\$ 27,322	

- The Operating Fund Reserve Coverage Ratio (“Reserve”) has fallen from 7.1 months last March to 1.4 months as of December 31. This ratio shows how many months of expenses we have in reserve for emergencies. The reserves we built up through water and sewer revenues have been crucial to our being able to deliver water and sanitary sewer service to customers in 2024 despite severe weather and infrastructure failures. Unfortunately, our cash reserves are now quite low and will likely remain so until we receive insurance/FEMA funds and property tax revenues due by January 31, 2025. The Board will be monitoring this situation closely.

Administrative:

- In January we had a productive meeting with the City of Trinity regarding the potential to enter a water supply contract with them; we are discussing rates and terms and continue to keep this a priority for the District.
- Directors Brunswick and Craig reported on their efforts to organize district maps, drawings and to identify key historical records that may be of assistance with preventive maintenance planning and future capital projects.
- The Board will maintain its Fees of Office at \$150 for each day a director actually spends performing the duties of a director, well below the \$221 permitted by the legislature.
- We continue to incur expenses in the defense of Public Utility Commission Docket No. 54713. Since July 2023, we have incurred approximately \$73,000 in litigation expenses in support of preparation for trial in February.
- Our next regular meeting is expected to be **Tuesday**, February 18, at 9:30 a.m.