

Westwood Shores MUD Board Meeting Update

November 22, 2024

Thank you to all the customers who attended our regular meeting on November 18. Below are some highlights. Board minutes which are the formal record of meeting decisions will be posted on our website after approval at our December 16 meeting (www.westwoodshoresmud.com – see District Information Tab).

Director Appointments:

- Donald Brunswick and Sid Craig were appointed to the two vacant Director positions. These positions have a four-year term. We are thankful for their willingness to serve our community.
- Current Director, Bryan Holmes was appointed as Secretary and Sid Craig was appointed Assistant Secretary.
- Johnny Wolf's term of office ended and we thank him for his many years of service to the Board.

Engineer (Civil Grade):

- Water quality at Water Plant 1 has improved but continues to be monitored. Disinfection by-products, specifically TTHM is difficult to mitigate with our current equipment. After reaching out to the TCEQ for assistance they made several recommendations and our Engineer will partner with our Operator to implement those solutions that are economically feasible at this time. This includes using the \$200,000 balance remaining in our 2020 Drinking Water SRF Bond proceeds.
- Engineer, Financial Advisor, and Attorney for District are finalizing our bond closing documents for Lead Service Line funding. This will allow us to borrow approximately \$1,590,000; 51% of which will be forgiven. For the portion we must repay, we will issue \$775,000 in bonds, \$320,000 of which will be paid back with zero interest.
 - As part of 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. Homeowners who are on our list for testing, will receive an EPA required notice via US Mail.
- At our October meeting, the board approved the use of \$1,000,000 in remaining bond funds from our 2020 Clean Water State Revolving Fund for the improvement of 6-7 lift stations designed to serve approximately 500 current homes. In addition, safety repairs will be made at a number of additional lift stations.
- As outlined in our May 2024 Bond Authorization Election materials, the District communicated the potential for us to issue approximately \$3,210,00 of bonds in 2025. The Board authorized the Engineer to begin work on a Bond Application Report Summary of Costs to detail use of funds for potential sale next year. There will be further discussion at future board meetings.
- Engineer was authorized to assist the Board with a portion of its application for FEMA grants related to the Coral Gables Manhole Collapse, which cost the district approximately \$127,000. This may require coordination with the US Army Corp of Engineers.

Operations (Precision):

- In September, Precision gave us 30 day-notice terminating their service contract as our Operator. We appreciate Precision's willingness to extend the notice period while we worked to identify a new Operator.
- We distributed Requests for Proposals to approximately six vendors and received bids from three. H2O Innovations and Waterworks Utilities Inc. presented during the meeting and the Board selected H2O Innovation as our new Operator. There will be further customer communications once H2O Innovation's December start date is finalized. In the meantime, **please continue to contact Precision for all service needs.**

- Our water supply/demand statistics are as follows (in thousands of gallons):

Supply (Oct 1 – 31)	Gallons ('000)	Usage	Gallons ('000)
Wells	4,539	Billed	2,960
TRW	163	Maintenance	780
		Wastewater Treatment Plant	109
Total	4,702	Total	3,849
Billed:	63%	Accounted for:	82%

- Precision’s maintenance invoice for August contained approximately \$19,000 in water plant/distribution line repairs, \$16,000 of sanitary sewer repairs and \$7,000 in lift station repairs/maintenance.
- Installation of a new fire hydrant at the mailboxes on Westwood Shores East has been delayed; Precision tested valves along the system and determined the hydrant cannot be isolated. Therefore, replacing it requires a shutdown of flow from Water Plant 1, which will result in loss of pressure in the system and a future Boil Water Notice to all customers. The timing of this project has not been finalized.
- WWTP:
 - Third party cost for repair of the aerator arms in September was approximately \$41,000
 - Precision has been coordinating on our behalf with the Texas Commission on Environmental Quality (TCEQ) to complete a Supplemental Environmental Project (“SEP”) related to plant violations from several years ago.
- Sanitary Sewer System: We had expenses of approximately \$19,000 for Magna Flow repairs to sewer lines and manholes.

Bookkeeper:

- We track our books across three major fund areas: General Operating, Capital Projects, and Debt Service. (See Customer Update distributed on February 28, 2024, for descriptions of the funds).

Fund Book Balances as of October 31, 2024:

General Operating	\$ 311,186
Capital Projects	\$ 1,688,526
Debt Service	\$ 269,793

- Budget: Below is fiscal year spending versus the budget (unaudited). Year to date expenses exceeded revenues by \$368,943. We have completed 3 months, or 25% of our budget year on a time basis and have incurred more than 50% of our anticipated expenses. The major overages are for sewer plant, sewer line and lift station related costs.

Budget Category	7/1/24 – 10/31/24 Actuals	7/1/24 - 6/30/25 Budget	Actuals as % of Budget
Operating Income	\$ 723,506	\$ 2,486,700	29%
Total Expenses	\$ 1,092,450	\$ 2,151,532	51%
Net Income	(\$ 368,943)	\$ 335,168	

- The Operating Fund Reserve Coverage Ratio (“Reserve”) is calculated by dividing the General Fund balance as of month end by budgeted expenditures for the same month. This is a guideline to show how many months of expenses we have in reserve. In March our reserve was approximately 7 months. Due to our increased expenditures for maintenance and repairs including for weather events, our

October 31 reserve is approximately 1.8 months. The reserves we built up through increased water and sewer revenues have been crucial to our being able to address the unplanned repairs incurred since January. Unfortunately, our cash reserves are now quite low and will likely remain so until we receive insurance/FEMA funds and start receiving the majority of 2024 property tax revenues at the end of the year. The Board will be monitoring this situation closely.

- Our Audit for Fiscal Year 2024 was filed with the State and is posted on our website. It was a smooth audit, with no material findings. Due to the efficiency of our Bookkeeper, audit fees were \$10,000 less than our prior two years. Additionally, the District will no longer need to contract with a CPA, independent of the District's Bookkeeper, as required by the TWDB Bond Covenants, because the District's Bookkeeper has CPA(s) on staff. This will result in additional savings to the District.

Administrative:

- In October we had another productive meeting with the City of Trinity regarding the potential to enter into a water supply contract with them. The City is demonstrating flexibility in working with us and has arranged a meeting with Trinity River Authority staff to discuss our supply needs and potential contract terms in more detail. There are a number of open items under discussion and it is not yet possible to put a timeline on completion of our negotiations.
- We continue to incur expenses in the defense of Public Utility Commission Docket No. 54713. Since July 2023, we have incurred approximately \$60,000 in litigation expenses including more than \$31,000 approved this month in support of trial preparation.
- Our next regular meeting is expected to be Monday, December 16, 2024, at 9:30 a.m.