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PUC DOCKET NO. 56589

PETITION BY RESIDENTS OF GRAND § BEFORE THE
LAKES MUNICIPAL UTILITY DISTRICT §
NO. 2 APPEALING THE WATER RATES § PUBLIC UTILITY COMMISSION
ESTABLISHED BY THE DISTRICT'S §
BOARD OF DIRECTORS § OF TEXAS

THE MUD'S EXTRAVAGANT SPENDING ON ADDITIONAL SECURITY SERVICES

(1) In pleadings [56589-68] and [56589-95], RFI No. 15 [56589-98], and the corresponding Motion to Compel [56589-154], we talked about the MUD's extravagant spending on **additional** security (Sheriff and Constable) services. Additional means on top of the (i) standard Sheriff and Constable security service that ratepayers must get as part of their annual Fort Bend County tax; and (ii) Katy ISD Police service (**Operations Bureau – Patrol Division**) that ratepayers must get as part of their annual ISD tax.

(2) Petitioners made contact with the Fort Bend County Treasurer and Auditor. On 7/22/2024, petitioners received a spreadsheet [56589-165] documenting the monthly monetary amounts Fort Bend County received from the three Grand Lakes MUDs for *additional* Constable security service and from the Grand Lakes Community Association for *additional* Sheriff security service.

(3) Below is a summary of the findings in two tables: the top part shows the security spending figures reported in the Grand Lakes MUDs' Audit Reports; the bottom part shows the amounts paid to / received by Fort Bend County for delivering the additional security (Sheriff and Constable) security service.

Grand Lakes MUD Audit Reports	2023	2022	2021	2020	2019	2018
GL MUD No. 2 – Sheriff+Constable	\$602,302	\$355,196	\$132,460	\$285,152	\$210,087	\$203,920
GL MUD No. 2 – Constable only	\$454,499	\$206,456	\$0	\$160,405	\$92,167	\$91,615
GL MUD No. 1 – Security Services	\$270,008	\$251,259	\$225,100	\$226,555	\$209,073	\$207,619
GL MUD No. 4 – Security Services	\$242,341	\$240,525	\$218,651	\$218,753	\$197,767	\$197,374
from GLMUD2 to GLCA – Sheriff	\$147,803	\$148,740	\$132,460	\$124,747	\$117,920	\$112,305
Total	\$1,114,651	\$846,980	\$576,211	\$730,460	\$616,927	\$608,913

Amounts Fort Bend County Recv'd	2023	2022	2021	2020	2019	2018
from GL MUD No. 2 – Constable	\$479,899	\$224,346	\$175,240	\$168,246	\$92,397	\$85,607
from GL MUD No. 1 – Constable	\$123,848	\$107,272	\$91,850	\$110,229	\$91,233	\$88,489
from GL MUD No. 4 – Constable	\$95,191	\$104,879	\$77,711	\$315,686	\$82,491	\$87,880
from GLCA – Sheriff	\$477,120	\$322,717	\$331,949	\$411,876	\$370,550	\$401,775
Total	\$1,176,058	\$759,214	\$676,750	\$1,006,037	\$636,671	\$663,751

(4) *Remark 1:* Looking at the two tables, not a single figure matches. This is representative of sloppy work, messy accounting and auditing, and shocking indifference by the MUDs' Boards, Attorney (**Schwartz, Page & Harding LLP**), Bookkeeper, and Auditor. They all must be questioned and held accountable.

(5) *Remark 2:* Looking at the amounts Fort Bend County received for the Constable security service, one can see that Grand Lakes MUD No. 2 started, from 2021 onward, to get hit with arbitrary figures, two to five times higher than the other two MUDs (MUD No. 1 and MUD No. 4). This was consciously orchestrated by the MUD's Attorney (Schwartz, Page & Harding LLP) as the MUD No. 2 was paying off its debt and becoming debt free after FYE 2021.

(6) *Remark 3:* The spending on security is arbitrarily increased and decreased from year to year. The aim and the target being—maintain an \$xM budget for each MUD; discard surplus money by spending it on *any* service or project, never letting the ratepayers take the benefit; reduce the security spending only if necessitated by a deficit.

(7) *Remark 4:* For the Constable security service to Grand Lakes MUD No. 1 / Grand Lakes MUD No. 4, the monetary amounts received by Fort Bend County (bottom part) are, for the most, 40% to 50% of what is reported in the MUDs' Audit Reports (top part). The gap will diminish, but *never* extinguish, if the Grand Lakes MUD No. 1 / Grand Lakes MUD No. 4 spending on security services, as reported in the MUDs' Audit Reports, covers Constable and Sheriff services (*see* the next remark).

(8) *Remark 5:* We are unable to tell if the Grand Lakes MUD No. 1 / Grand Lakes MUD No. 4 spending on security services, as reported in the MUDs' Audit Reports, covers Constable only or Constable and Sheriff services. The Grand Lakes MUDs must be compelled to disclose such details.

(9) *Remark 6:* We are unable to compare the Sheriff-related figures because the higher amounts Fort Bend County received from the Grand Lakes Community Association could be attributed to: (i) A portion coming from the Homeowner Association Fee paid by Grand Lakes residents. (ii) A portion coming from transfers from Grand Lakes MUD No. 1 and Grand Lakes MUD No. 4, which petitioners are not able to account for without the MUDs being compelled to disclose such amounts.

(10) *Remark 7:* For the Sheriff security service, amounts transferred from Grand Lakes MUD No. 2 to the Grand Lakes Community Association—we copied the figures from the printout the MUD disclosed with its response [56589-139] to RFI No. 10 and we uploaded to [56589-151] for easier reference.

(11) *Remark 8:* Because the MUD No. 2 security spending reported in the Audit Reports includes both the Sheriff and Constable services, we subtracted the Sheriff-related figures (copied from the printout in [56589-151]) to get the Constable-related figures.

(12) *Remark 9:* In 2020, the \$315,686 Grand Lakes MUD No. 4 paid for Constable security includes a \$190,634 payment on 2/10/2020. That could be part of the contract, for the purchase of vehicles or else.

Taking this payment out, the remaining amount becomes somewhat comparable to the amounts the MUD paid during the other years.

(13) *Remark 10:* The file furnished by the Fort Bend County Auditor uses two decimal places. We dropped the decimal places by rounding \$0.50 and above to \$1, while dropping \$0.49 and less.

(14) The security (Sheriff and Constable) are major contracts and impact the Grand Lakes MUDs' costs. The corresponding costs are in the financial statement which was circulated and discussed as part of the *unlawful* email exchanges and meeting that took place in December 2023 (see [56589-114]/[56589-115]).

Cash Flow Forecast								
GRAND LAKES MUD NO. 2								
	2022	2024	2025	2026	2027	2028	2029	2030
Assessed Value	\$362,621,782	\$401,962,393	\$401,962,393	\$401,962,393	\$401,962,393	\$401,962,393	\$401,962,393	\$401,962,393
Maintenance Tax Rate	\$0.13000	\$0.13000	\$0.13465	\$0.13926	\$0.14413	\$0.14918	\$0.15440	\$0.15980
Maintenance Tax	\$462,000	\$512,100	\$530,000	\$548,600	\$567,800	\$587,600	\$608,200	\$629,500
% Change in Water Rate	0.00%	100.00%	75.00%	50.00%	25.00%	5.00%	5.00%	5.00%
% Change in Wastewater Rate	0.00%	100.00%	50.00%	33.00%	15.00%	5.00%	5.00%	5.00%
% Change in NFBWA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
% Change in Expenses	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Beginning Cash Balance 09-01-23	\$6,803,614	\$7,173,529	\$5,779,951	\$5,945,672	\$5,543,673	\$5,396,589	\$5,179,624	\$5,173,487
Revenues								
Maintenance Tax	\$462,000	\$512,100	\$530,000	\$548,600	\$567,800	\$587,600	\$608,200	\$629,500
Water Revenue	114,300	228,600	400,050	600,075	750,094	787,568	826,978	868,327
Wastewater Revenue	98,200	196,400	294,600	391,818	450,591	473,120	496,776	521,815
NFBWA Revenue	548,100	604,379	693,258	782,138	871,017	871,017	871,017	871,017
Sales Tax Revenue	3,600,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Other	135,000	141,750	148,838	156,279	164,093	172,298	180,813	189,959
Total Revenues	\$4,957,600	\$2,183,229	\$2,566,746	\$2,978,910	\$3,383,595	\$3,391,634	\$3,483,885	\$3,580,418
Expenses								
Purchase Water - GL 4	\$193,712	\$106,559	\$111,867	\$117,481	\$123,355	\$129,523	\$135,999	\$142,799
NFBWA Expense - Residential	886,712	\$71,017	\$71,017	\$71,017	\$71,017	\$71,017	\$71,017	\$71,017
NFBWA Expense - Irrigation & RWDS	150,000	294,966	294,966	294,966	294,966	294,966	294,966	294,966
Maintenance & Repairs - Water	172,400	133,800	140,490	147,515	154,890	162,635	170,766	179,305
Purchase Wastewater - GL 4	169,026	215,177	225,936	237,233	249,094	261,549	274,626	288,358
Purchase RWDS - GL 4	100,707	223,681	234,865	246,608	258,939	271,886	285,480	299,754
Maintenance & Repairs - Sewer	179,100	112,500	118,125	124,031	130,233	136,744	143,582	150,761
Garbage Expense	252,300	275,900	289,695	304,180	319,389	335,358	352,126	369,732
Sheriff Contract	147,360	154,000	51,333	53,900	56,595	59,425	62,396	65,516
Constable Contract	450,828	542,549	250,000	262,500	275,625	289,406	303,877	319,070
Other Expenses	531,000	578,925	500,000	525,000	551,250	578,813	607,753	638,141
Total Expenses	\$3,233,145	\$3,507,663	\$3,088,314	\$3,184,431	\$3,285,353	\$3,391,322	\$3,502,589	\$3,619,419

(15) All in all, the situation is frightening. The Bookkeeper and the Auditor are paid to do a high-quality job. The Auditor takes four months following the end of the fiscal year to deliver the Audit Report. Audits should be based on paid invoices. There should *never* be a penny in mismatch between what is reported in the Audit Reports and the actual amounts received by Fort Bend County. With so much mismatch as documented in the tables above, an investigation is warranted.

(16) The Grand Lakes MUDs and WCID must be forced into receivership, not because they are unable to pay their expenses but because they are troubled with appalling, conscious mismanagement, indifference, imprudence, arbitrariness, irregularities, improprieties, wrongdoing, and more. The four boards, the law firm Schwartz, Page & Harding LLP, the water company (Municipal District Services), the Bookkeeper, the Auditor, and the Engineer must be instantly removed. Without such action, the State is turning a blind eye to wrongdoing that has lasted over 20 years by now.

(17) The Commission's delayed treatment of the instant case is destructive. *Justice delayed is justice denied.* Unconditional disclosure of all information controlled by the Grand Lakes MUDs is crucial for the petitioners and the Commission to examine the case, understand the real financial situation, and stop mismanagement.

Katy, Texas on the 23rd day of July 2024.

Respectfully submitted,
on behalf of Grand Lakes MUD No. 2 ratepayers



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CERTIFICATE OF SERVICE

I certify that the filing of this pleading is notified to all parties of record via e-mail on July 23, 2024.



George J. Wakileh, Ph.D.