

## MINUTES OF MEETING OF BOARD OF DIRECTORS

April 20, 2020

THE STATE OF TEXAS §  
COUNTY OF MONTGOMERY §  
MONTGOMERY COUNTY UTILITY DISTRICT NO. 3 §

The Board of Directors (“Board”) of Montgomery County Utility District No. 3 (“District”) met in **regular** session, open to the public, on **April 20, 2020** at **2:00 PM**, at the offices of Hays Utility North Corporation (the District’s utility operator) at 375 Lake Meadows Drive, Montgomery, Texas 77356, in Montgomery County, Texas and via a telephone conference call audible at that location (with two way audio), as authorized by the Governor of Texas under an emergency declaration, whereupon the roll was called of the members of the Board, to-wit:

Doris Hickman, President  
Richard Tibbetts, Vice President  
Janis Boulware, Secretary and Assistant Treasurer  
Carolyn H. Smith, Treasurer  
Judy Robert, Assistant Secretary

and all members of the Board were present via conference call, thus constituting a quorum. Also present via conference call were Steve Haskins of Protocol Bookkeeping, Inc., bookkeeper for the District; and Katherine Vu of Jones & Carter, Inc., engineers for the District; James Dougherty, special counsel for the District; and Mark Eyring, CPA. Philip Wright of Hays Utility North Corp., operator for the District was present at the meeting place. Mr. Gary North, President of Montgomery County Utility District No. 4 (“UD4”) joined by conference call shortly after the meeting began. Mr. Chris Roznovsky of Jones & Carter, Inc. joined the meeting in progress. The meeting was called to order, and in accordance with notice posted pursuant to law, in the form attached as *Exhibit A*, the following business was transacted:

**1. Notices, Minutes, Etc.** The Secretary reported that the meeting was posted as required by state law. It was then duly moved and seconded to approve the notice as posted. The motion carried unanimously. Draft minutes of meetings held March 16 and March 30, 2020 were reviewed. It was duly moved and seconded to approve them as presented. The motion carried unanimously.

**2. Public comments.** There were no public comments.

**3. Neighborhood Update (UD4).** There was no neighborhood update.

**4. Bookkeeper’s Report; Investment Report; Etc.** Mr. Haskins presented and reviewed the bookkeeping and investment report for the General Fund and a separate report for the Regional WWTP, copies of which are attached as *Exhibits B* and *C*. He noted that TexPool interest rates were low again. He reported on the “true up” of amounts paid by the City of Conroe for the WWTP. He said there was a check prepared to make the required “true-up” payment to the City. He said there would be some audit adjustments between the General Fund and the Capital Projects Fund. He indicated that net revenues (revenues less expenditures) were somewhat better than budgeted. There was a question about miscellaneous revenues for the WWTP. He said that item usually represented bank fees.

After discussion, it was duly moved and seconded to approve payment of the bills and checks prepared by Mr. Haskins, also Check No. 3142 written to City of Conroe for the “true-up” payment in the amount of \$8,854.32. All voted in favor.

Later in the meeting, the Board considered the annual audit and heard Mr. Eyring’s report. He said the review showed: (i) a tap made near the April Sound Church without a corresponding revenue; (ii) an old amount, approximately \$2,500, due from UD4 and (iii) approximately \$89,000 due from a contractor. On the last item, the Board asked that the amount not be counted as a receivable, based on the likelihood of recovery. There was a question about the Phase 2 Sanitary Sewer Rehab, of which 26% was due from UD4 as part of the cost of the “Y Trunks” and how to handle the billing to UD4. Mr. North said that however UD3 wanted to do the billing should be okay. The President suggested sending notice to UD4 about the amounts to be split. She asked the engineers to work up an estimate of those amounts and send it to UD4, indicating that an actual bill would be sent when the project is finished. The operator and the attorney explained the transaction on the tap near the April Sound Church, which essentially involved setting a meter on an old tap that had probably been made to serve the District or its general manager’s office. On the first item reported by Mr. Eyring, it was explained that the old amount due from UD4 may have been covered by the major settlement agreement reached by UD3 and UD4 in 2019.

**5. Tax Assessor-Collector, Etc.** The Board did not have the Tax Assessor-Collector’s mailed report for the preceding month, but excerpts from the electronic version, as shown in *Exhibit D*, attached, showed that the Tax Assessor-Collector had collected 94.67% of the TY 2019 taxes.

**6. Engineer’s Report, Etc.** Ms. Vu presented the engineer’s report attached as *Exhibit E*. She mentioned that the Sanitary Sewer Phase 2 project would soon be advertised, subject to approval of the contract documents. Other projects were on hold, she said, pending the consolidation discussions. Regarding the short extension of water facilities at Waterpoint, she said the revised approach was for the District to build it, and the developer would pay for it. However, the developer had apparently not agreed to the estimated cost. Mr. Wright and Ms. Vu explained the basis for the estimate, including the grade of the fire hydrant and the method of installation. There was an extended discussion about the fire hydrants (or flush valves) in the area, including the possibility of leaving the hydrant in question as a private facility. There were questions about failure of fire hydrants. It was duly moved and seconded to authorize the President to enter into necessary arrangements with the developer, allowing either construction by the developer or by the operator, or maintaining the facilities private.

Director Smith moved to approve Progress Payment Request No. 5 from RJ&M Utility Construction, LLC in the amount of \$32,291.10. Director Tibbetts seconded, and all voted in favor.

**7. Operator Report, Etc.** Mr. Wright presented the operator’s report attached as *Exhibit F* and reviewed it with the Board. He provided an update on measures to address the coronavirus outbreak. There was an extended discussion about service terminations, late fees and payout agreements, also accounting for lost revenues. After the discussion, Director Smith moved to authorize a special delinquent letter that would not include a waiver of late fees but would charge no additional fees, and with a deferral of disconnections through May 31. Director Boulware seconded, and all voted in favor.

There was a question about water accountability. Mr. Wright said there were only two small leaks and one repair.

Mr. Wright discussed work done at lift stations and the WWTP. There was a question about blinking red lights at one lift station. He mentioned that the clean-out of a basin at the WWTP had been completed.

**8. Intergovernmental matters.** There was no action taken.

**9. District policies, rates, etc.** There was discussion of solid waste collection in the neighborhood. The attorney presented a proposed amendment to be included in the District's general policies resolution. He indicated that the amendment was designed to tighten-up enforcement of solid waste policies. After further discussion, it was moved and seconded to adopt the District's general policies resolution with the proposed amendment included but with a further amendment requiring an order of the Board to resume solid waste service if service is suspended by the operator. All voted in favor.

**10. Executive sessions(s).** There was no executive session.

**11. Election.** There was no action taken.

A motion was made to adjourn the meeting at about 4:17 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on May 18, 2020.

SIGNED: Doris Hickman, President, Board of Directors

ATTEST: [Signature], Secretary, Board of Directors

