

MINUTES OF MEETING OF BOARD OF DIRECTORS

July 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 **July 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; Chris Roznovsky and Katherine Vu of Jones & Carter, Inc., engineers for the District; and James Dougherty, special counsel for the District. 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”) was present via conference call. 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. It was moved and seconded to approve and adopt the notice of the current meeting and how it was given, in the form shown in *Exhibit A*, attached. The motion was adopted. Draft minutes of the meeting held June 15, 2020 were reviewed. It was moved and seconded to approve them, with revisions noted. The motion carried unanimously.

2. Public comments. There were no public comments.

3. Neighborhood Update (UD4). The President welcomed Mr. North to the meeting. He indicated that work on the consolidation study was ongoing. Mr. Dougherty gave an update on the moratorium on invoicing for transmission costs. He explained that UD3 had sent a letter offering to extend the moratorium through September 30, but it had not been accepted. Instead, he said, a different letter had come back, and it would both broaden the scope of the moratorium and extend it through December 31. Mr. Howell updated the Board on the latest exchange of financial data for the consolidation study, and there was a general discussion. Mr. Howell said that that the data showed the two Districts are very similar, and it would make sense to consolidate them to achieve cost savings and other benefits.

There was further discussion. Mr. Tibbetts moved to approve an extension of the moratorium through December 31 but keeping the original scope. Director Robert seconded, and, when the question was called, three Directors voted in favor (Tibbetts, Hickman, Robert), and two voted against (Boulware, Smith). The motion was adopted.

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. He said total revenue (less expenses) was better than budgeted, mainly because of lower expenses (to date). He said the WWTP results were almost at breakeven (to date). It was moved and seconded to approve payment of the bills and prepared checks. All voted in favor.

5. Tax Assessor-Collector, Etc. Mr. Haskins reported that the Tax Assessor-Collector's report for the preceding month showed 97.12% of the taxes for TY2019 had been collected.

Mr. Dougherty reported on the upcoming tax-levy process for TY 2020 and the unresolved uncertainty about how to categorize UD3 under the new tax law (SB2). After discussion, there was a motion to: (i) authorize the financial advisor and attorney to advise the Tax Assessor-Collector that UD3 could be treated as if it were in the most-restricted category, unless they hear otherwise; and (ii) authorize the President, operator and attorney to set up at least a rudimentary website for the District. Director Boulware requested to be a part of that discussion. The motion was seconded, and all voted in favor.

6. Engineer's Report, Etc. Mr. Roznovsky presented and reviewed the engineer's report. He noted that a contractor's check for damages had been received. On the Waterpoint development, he reported that the developer had received the letter agreement for the water facility extension but had not returned it (with the required check). He said the latest flow data showed that the District had exceeded 75% of the permitted flow, but it was not clear why. He said the engineers would be working with the operator to investigate. Mr. Wright suggested taking a look at daily flows, especially on rain days in the middle of dry periods.

7. Operator Report, Etc. Mr. Wright presented the operator's report and reviewed it with the Board. He indicated that both water usage and billed amounts had gone up in recent months. He said there were not too many accounts past due. He reported that the POA would be working on some sunken streets, in which case the District should coordinate with the POA to fix any related storm drain issues at the same time.

Mr. Wright also reported on damages done by the TACHUS cable firm (or perhaps a subcontractor). He said damages in UD3 were greater than in UD4, but less than those in MUD8. The President indicated that she would contact POA representatives about the problem and possible remedies.

Mr. Wright reported that the repair at the Chiles property had been completed, except for some levelling-out.

The operator reported that notices of delinquency and possible disconnection of service (including the opportunity for a hearing at the Board meeting) had been given to each person on the cutoff listing. The President provided an opportunity for a hearing, but no one appeared or asked to be heard. It was then duly moved that the Board: (1) find that the amount shown on the list for each account was correct and delinquent, (2) determine that the notices described by the operator were duly given, but nobody had appeared or asked to be heard, and (3) authorize disconnection of water service, in accordance with standard operating procedures, including the offer of payout agreements to those who request it. The motion was seconded, and all voted in favor.

8. Intergovernmental matters. There was no action taken.

9. District policies, rates, etc. There was no action taken.

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

A motion was made to adjourn the meeting at about 4:08 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on August 17, 2020.

SIGNED: Doris Hickman President, Board of Directors

ATTEST: Jos Chulu, Secretary, Board of Directors



MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

NOTICE: In accordance with Ch. 551, Tex. Gov't Code and Sec. 49.063, Tex. Water Code, both as amended, take notice that the Board of Directors (Board) of Montgomery County Utility District No. 3 (District) will meet in regular session, open to the public, at **2:00 PM on July 20, 2020** 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 where one or more persons will be present. Pursuant to the disaster declaration and suspension of certain laws by the Governor of Texas, any Director or other person may participate in the meeting via telephone (with two-way audio) by calling a public, toll-free number (800-719-8139; enter conference code 447079 when prompted), and an electronic copy of any agenda packet will be made available on the internet at <https://hayswater.com/montgomery-county-utility-district-3/>. Alternative means of communicating with District Directors include: (i) email addressed to "MCUD#3 Directors, c/o James Dougherty" sent to jim@jldjr.com; (iii) mail, phone or fax to the MCUD#3 Directors c/o James Dougherty, 12 Greenway Plz., Ste. 1100, Houston, TX 77046. phone 713-880-8808, fax 281-220-8984. The subjects of the meeting are as follows:

1. **Notices & Minutes.** Notices; minutes of current and prior meetings; etc.
2. **Public comments.**
3. **Neighborhood matters,** including Montgomery County Utility District No. 4 (UD4), projects, facilities, etc., *also*,
--consolidation (merger) of the District with UD4, including agreement, election, and related matters.
4. **Financial matters.** Receive, discuss, consider and act upon: bookkeeper and investment reports, budgets (GF and WWTP), bills/payments, transfers, bank accounts/security, audits/reports; investments/training and related matters.
5. **Taxes, etc.** Receive, discuss and act upon A-C report, exemptions, penalties, rates, notices, disasters and other tax-related matters.
6. **Engineering matters.** Receive, discuss, consider and act upon reports, studies, facilities and projects, *also*: (i) wastewater system, including treatment plant, site and permits; collection system; joint wastewater committee matters, construction and rehabilitation projects: shared costs, agreements (including Aqua Texas, Inc./Lake Conroe Village, UD4, City of Conroe, etc.), wholesale service, etc.; (ii) drainage, including improvements and projects; (iii) water system, including water production, transmission and distribution; wholesale services; Catahoula-aquifer wells and cooling/aeration; elevated storage; pressure maintenance; system modeling; interconnections (Stanley Lake MUD, etc.); Joint Water Operating Committee (JWOC); UD3-UD4 joint system matters, including water and sewer contracts, sale and purchase of facilities; shared costs; etc.; (iv) Lone Star Groundwater Conservation District and San Jacinto River Authority issues and rules, regulations, contracts, permits, early conversion credits, future permitted authorization, transfers, transactions, groundwater reduction plans, etc.; (v) other facilities and projects; (vi) engineering services agreement; and (vii) related matters; *also*:
--Agreements with UD4 regarding water and wastewater services and facilities (including wholesale services), budgets, rates, groundwater reduction, moratorium on invoicing, mediation, litigation, legal services (including consultations, directions, etc.) and related matters.
--Development, utilities, commitment, etc. GPW Two, LLC, 3.2 ac in Waterpoint Subdv., Restr. Res.C, near SH 105 east of Marina Dr.
7. **Operations.** Receive, discuss and act upon operation report, *also*: customer matters; repairs and maintenance; drainage; grounds maintenance; other projects; claims; operations contract; easements (and amendments and encroachments); water conservation (and drought contingency); utility services, policies, rates; and related matters.
--Public hearing on delinquencies, discuss and act on delinquencies, including service terminations.
8. **Intergovernmental matters.** Discuss, consider and act upon matters relating to: (i) City of Conroe: strategic partnership agreements, annexation, services, elections, codes, etc.; (ii) SH 105-TxDOT (plans, facilities, etc.); (iii) legislation; and (iv) related matters.
9. **District policies, etc.** Discuss, consider and act upon: District policies (e.g., investment, compensation, arbitrage, consultants, solid waste, etc.); insurance; election matters; cyber-security matters; meetings; solid waste collection; and related matters.
10. **Executive sessions(s)** under Sections 551.071-551.084, Texas Government Code regarding subjects on this agenda.
--Action on items discussed in executive session.
11. **Other:** (i) inquiries, (ii) future meetings and agenda items, and (iii) related matters.

IMPORTANT: (1) Each subject listed includes discussion, consideration, action, etc. (2) Subjects may be taken up in the order listed or otherwise and may be taken up more than once during the meeting. (3) If a quorum is not present, directors present may form an ad hoc committee to discuss, consider and act upon the subjects listed. (4) If the Board determines that any closed or executive session is required or should be held, such session(s) will be held by the Board at the date, hour, and place given in this Notice, if permitted under Sections 551.071-551.084, Texas Gov't Code (including, but not limited to, Sec. 551.071 for private consultation with the Board's attorney). (5) IF YOU HAVE A DISABILITY REQUIRING SPECIAL ARRANGEMENTS AT THE MEETING, PLEASE CONTACT THE DISTRICT'S ATTORNEY AT 713-880-8808 BEFORE THE MEETING. REASONABLE ACCOMMODATIONS WILL BE MADE FOR YOUR PARTICIPATION IN THE MEETING.

NOTICE (Meeting Place). After at least 50 qualified electors are residing in the District, on written request of at least five of those electors, the District's Board shall designate a meeting place and hold meetings within the District. If no suitable meeting place exists inside the District, the Board may designate a meeting place outside the District that is located not further than 10 miles from the boundary of the District. On the failure of the Board, after such a request is made, to designate the location of the meeting place within the District or not further than 10 miles from the boundary of the District, five electors may petition the Texas Commission on Environmental Quality to designate a location. If it determines that the meeting place used by the District deprives the residents of a reasonable opportunity to attend District meetings, the Commission shall designate a meeting place inside or outside the District which is reasonably available to the public and require that the meetings be held at such place.

Signed: 
Secretary, Montgomery County Utility District No. 3, MONTGOMERY COUNTY, TEXAS
Date: 7/15/2020

07/15/2020 03:59PM
AIRN PREVITI
MARK TURNBULL, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

