

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 18, 2021

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 **January 18, 2021 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; Gary North, President of Montgomery County Utility District No. 4 (“UD4”); John Howell of GMS Group, financial advisor 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. The meeting was called to order by the President, 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 notice of the meeting had been given as required by law, in the form shown in *Exhibit A*, attached. It was moved and seconded to approve the notice and how it was given. The motion was adopted. Draft minutes of the meetings held December 21, 2020, December 30, 2020 and January 5, 2021 were reviewed. It was moved and seconded to approve the December 30 set as corrected and the other two as submitted. The motions carried unanimously.

2. Public comments. There were no public comments.

3. Neighborhood Update (UD4). Mr. North reported that Mr. John Bleyl would be attending the next meeting of the WWTP advisory committee meeting, and the consolidation committee would be meeting on Thursday of that week. The two presidents agreed that the meeting on Thursday would be held in person at 10 AM (unless someone starts feeling poorly).

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 General Fund revenues, less expenses, were about \$61,000 better than anticipated, up to that time. He confirmed that the \$250,000 transfer to the Debt Service Fund had been made. He said the next debt service payment was due April 1.

It was duly moved and seconded to approve the payment of the bills, including the prepared checks. All voted in favor.

Later in the meeting, Mr. Howell dialed in and report on a potential refunding. He said the basic approach was to replace old bonds carrying interest rates of about 3.5% with new bonds carrying interest costs of about 2.2% (including costs of issuance). He said total savings of about \$536,000 would be realized over the years 2021 to 2039, in the range of about \$27,000 to \$28,000 per year (equivalent to about one cent on the tax rate). He reviewed a draft of a preliminary official statement. He said the net steps would be to: (i) put together a credit package and provide it to the Standard & Poors rating agency to seek confirmation of the District's credit rating on its own, without bond insurance; (ii) present the package to bond insurance companies, to seek bids for bond insurance costs, and (iii) bring the matter back at the next Board meeting to determine the parameters for the refunding, select underwriters and designate a pricing officer. He said there would be a bill of about \$8,000 from Standard & Poors. Director Robert move to approve the draft preliminary official statement and authorize Mr. Howell to move ahead with the next steps as outlined. The motion was seconded, and all voted in favor.

5. Tax Assessor-Collector, Etc. Mr. Haskins indicated that the Tax Assessor-Collector's report for the end of the preceding month showed 50.83% of the taxes for TY2020 had been collected.

6. Engineer's Report, Etc. Ms. Vu presented and reviewed the engineer's report. She updated the Board on discussion with the City of Conroe and the preliminary work on the SH 105 intersection with April Sound Boulevard. She said two options for the intersection had been identified for further review: (i) extend the left turn lane for eastbound traffic westward; and (ii) move the entrance roadway a short distance to the east, to allow more room for the existing left-turn lane to be extended eastward. (Each of those options would include innovative intersection design features to increase safety.) Mr. Roznovsky said the review work, including a look at utility conflicts, could be done on an hourly basis, with an estimated total not to exceed \$10,000. Mr. Tibbetts explained that the next step was to send a proposed calendar of events to TxDOT, to enable TxDOT to respond, by January 22, to the District's pending request to extend the time for the referendum to March 31. Mr. Roznovsky said it should be possible to get the proposed calendar prepared and sent off to TxDOT by the following day. After discussion, Director Robert moved to: (i) approve the additional engineering work, not to exceed \$10,000 and (ii) set a special meeting, tentatively, for January 25 at 12 Noon, in case a special meeting is needed. Director Smith seconded, and all voted in favor. Mr. North said that UD4 would likely participate, subject to legal review (because the exact site was outside the UD4 boundaries, although some aspects of the project would affect UD4).

Ms. Vu explained the work necessary to achieve compliance with the "risk and resiliency summary" jointly for UD3 and UD4 under a new federal law (AWIA) had been estimated at \$5,000 for each District, with a possible second phase of work being necessary to prepare an emergency response plan. There was a motion to approve the necessary engineering work (first phase). The motion was seconded, and all voted favor. Mr. North reported that UD4 had already approved its share of the cost.

7. Operator Report, Etc. Mr. Wright presented the operator's report. He mentioned that there had been a large main break in April Wind Court that caused a big loss of water and displaced a lot of soil---but apparently did not damage the street. He said semi-annual well tests were coming up. He explained that recent heavy rain had caused elevated flows at the WWTP. He said there had been five new taps in 2020, also that water pumpage was well below permitted levels. He said he would ask LSGCD about using credits to pay the permit fees. He reported that the split of wastewater flows between UD3 and UD4 had tipped slightly (50.2%) to UD3, apparently because of Lake Conroe Village flows.

He said directors for another Montgomery County district had filed suit in small claims court, without an attorney, to recover about \$20,000 in damages done by the TACHUS cable firm.

He said he had been in touch with Mr. Chris Garcia at Aqua Texas about using a hydro-excavator to locate the actual connection between the force main connecting Lake Conroe Village to the UD3 system. He said Mr. Garcia had said he was not authorized to incur any part of the cost. The President asked Mr. Wright to get the name of someone at Aqua Texas who would be authorized to act. There was a discussion about the effects of CoVID-19.

8. Intergovernmental matters. SH 105-TxDOT issues were discussed with the engineer earlier in the meeting.

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

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

11. Other. There was no action taken.

A motion was made to adjourn the meeting at about 4:06 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on March 15, 2021.

SIGNED: Gouis Huckman, President, Board of Directors

ATTEST: Jos C. Balle, Secretary, Board of Directors

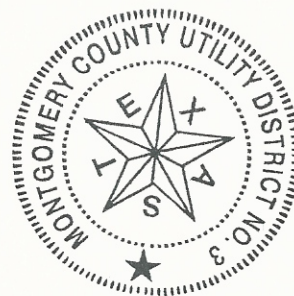


Exhibit A

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 January 18, 2021 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 (800-504-7056, 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/.

- 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.
4. Financial matters. Receive, discuss, consider and act upon: bookkeeper and investment reports, budgets (GF and WWTP), bills/payments, transfers, bank accounts, audits/reports; investments; bonds (refunding, official statement, etc.) and related matters.
5. Taxes, etc. Receive, discuss and act upon Tax A/C Report, tax calculations and analysis, levies, collections and other tax 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, GPW Two-Waterpoint, 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) easements, rights of way, other facilities and other projects; (vi) engineering services agreement; and (vii) related matters; also:
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.
8. Intergovernmental matters. Discuss, consider and act upon matters relating to: (i) City of Conroe: strategic partnership agreements, annexation, services, WWTP, etc.; (ii) SH 105-TxDOT (plans, facilities, engineering, etc.); (iii) legislation; and (iv) related matters.
9. District policies, etc. Discuss, consider and act upon: District policies (e.g., investment, compensation, arbitration, 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.
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.

AVISO (Elección): Se notifica por el presente que la Mesa Directiva del Distrito No. 3 de Servicios Públicos del Condado de Montgomery, Texas, celebrará una reunión el 18 de enero de 2021, a las 2:00 p.m. en 375 Lake Meadows Drive, Montgomery, Texas 77356 con los siguientes temas: entre otros, elección para la consolidación de los distritos, asuntos electorales

Signed: [Signature]
Secretary, Montgomery County Utility District No. 3.
Date: 1/13/2021

