

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 19, 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 **April 19, 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 at the meeting place, except Mr. Tibbetts who was 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 James Dougherty, special counsel for the District. Erich Pederson, Justin Abshire and Samantha Randolph of Jones & Carter, Inc., engineers for the District, and Philip Wright of Hays Utility North Corp., operator for the District, were present at the meeting place. Mr. Mark Eyring, of Mark Eyring & Associates, auditor for the District, was present by conference call. Gary North, President of Montgomery County Utility District No. 4 (“UD4”) joined the meeting in progress, via conference call. Mr. Dougherty joined the meeting in person during the bookkeeper’s report. The meeting was called to order by the President, and in accordance with notice attached as *Exhibit A*, the following business was transacted:

1. Notices, Minutes, Etc. The Secretary reported that the notice of the meeting had been posted as required by law, in the form shown in *Exhibit A*, attached. It was moved and seconded to approve and adopt the notice. Board next considered two sets of draft minutes from prior meetings: March 15 and April 9, 2021. It was moved to approve both sets, as corrected. The motion was seconded, and all voted in favor.

2. Public comments. There were not public comments.

3. Neighborhood Update (UD4). The President recognized Mr. North, and there was a brief update on the discussions about consolidation. Ms. Boulware reported that comments on the draft agreement had been provided the prior week. Later in the meeting, there was a question about a rumored plan to construct a new water line between the eastern portion and western portion of UD4. Mr. Wright said he would ask the UD4 engineer about it.

4. Bookkeeper’s Report; Investment Report; Etc. Mr. Eyring presented and reviewed the annual financial report (audit). He said it had a “clean” opinion, and the audit review had discovered an underpayment from the City of Conroe. After discussion, Director Boulware moved to: (i) approve the report; (2) authorize the letter of representation; and (iii) authorize the President to sign the previously-approved engagement letter to confirm the second year. Director Smith seconded, and all voted in favor.

Mr. Haskins presented and reviewed the bookkeeping and investment report for the General Fund and a separate report for the Regional WWTP. He noted that interest paid by TexPool was very low, and he provided details on the underpayment from the City. It was duly moved and seconded to approve the payment of the bills, including the prepared checks. All voted in favor.

5. Tax Assessor-Collector, Etc. The Secretary noted that the Tax Assessor-Collector's report for the preceding month showed 93.72% of the taxes for TY2020 had been collected.

6. Engineer's Report, Etc. Mr. Abshire presented and reviewed the engineer's report, including work underway. Referring to the risk and resilience assessment, he said the report would cover security matters and would have to be kept confidential. There was a question about contacts with Aqua Texas. Mr. Wright said he had met the legal representative for Aqua Texas and would provide it to the attorney. Mr. Abshire described work with TxDOT staff regarding the intersection of SH 105 and April Sound Boulevard. There was a brief discussion about advertising for two contracts, and the President asked that they be tabled until the next meeting.

7. Operator Report, Etc. Mr. Wright presented the operator's report and noted that water usage had peaked in February but had come back down. He reviewed pumpage data for the District and UD4. There were questions and a discussion about modifications to protect the District's facilities from freezing under severe conditions. He said a modification and design change would better protect sensor lines.

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. The motion was seconded, and all voted in favor.

Mr. Wright asked that an item be on the agenda for the next meeting to consider amendments to the operator contracts to increase rates. He mentioned that both wages and other costs had gone up.

The Board considered the tap and connection problems presented by Sugarcreek Builders. The Board noted that Ms. Hwang was not present and had not dialed in. After extended discussion, there was a motion to grant a variance from the requirement to obtain a capacity commitment, but not to grant a variance from the requirements to obtain an S&P Permit and pay all specified deposits and fees (except that, for the permit application, it would be acceptable to provide a re-constructed civil site plan and interior plumbing plan instead of originally-drawn plans, if the reconstructed plans were prepared by an engineer). The motion was seconded, and all voted in favor.

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

9. District policies, rates, etc. Mr. Dougherty and the President reported on the previously-approved amendment to the collection contract, with a companion change in the District's solid waste regulations. After discussion, Director Boulware moved to adopt and re-adopt the District's policy resolution, with the proposed amendments to the solid waste appendix (including the four-item limit and the prohibition of motor vehicle tires). The motion included authorization to amend the collection contract accordingly. Director Smith seconded, and all voted in favor.

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 4:17 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on May 17, 2021.

SIGNED: Davis Hickman, President, Board of Directors

ATTESTATION & CERTIFICATION. By signing below, the Secretary attests to the signature of the President, above, and certifies that notice of the meeting was posted in as required by state law, in the form attached as *Exhibit A*.

(SEAL)

Jan Collier, 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 April 19, 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/>. Alternative means of communicating with District Directors include: (i) email addressed to "MCUD#3 Directors, c/o James Dougherty" sent to jim@jldjr.com; (ii) 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. 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, audit-financial report; investments; bonds (and costs, proceeds, etc.) and related matters.
5. **Taxes, etc.** Receive, discuss and act upon Tax A/C Report, tax data, exemptions, levies, penalties, 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 procurement, agreements, etc.; 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.
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.
 - Capacity, permits, taps, meters, fees, etc., including variances requested by Sugarcreek Builders, 1415 E. April Villa (C. Hwang)
 - 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, 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, arbitrage, consultants, solid waste, etc.); insurance (and renewal); 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.

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 19 de abril 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: 
 Secretary, Montgomery County Utility District No. 3.
 Date: 4/13/2021

