

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 17, 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 **May 17, 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. Also present at the meeting location were Steve Haskins of Protocol Bookkeeping, Inc., bookkeeper for the District; James Dougherty, special counsel for the District; Justin Abshire and Samantha Randolph of Jones & Carter, Inc., engineers for the District; Philip Wright of Hays Utility North Corp.; Tony Ton of TSquare Homes LLC; and Davide Lewis and David Brown of Divergent Capital Partners Holdings LLC. Mr. Charles Horton, a broker representing Divergent Capital Partners Holdings LLC, and Mr. Gary North, Gary North, President of Montgomery County Utility District No. 4 (“UD4”) were present via conference call. 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: April 19 and May 9, 2021. It was moved to approve both sets, as corrected. The motion was seconded, and all voted in favor.

2. Public comments. Mr. Horton introduced Mr. Lewis, Mr. Brown and Mr. Ton and described a proposed project for a ten-acre site on SH 105 (sometimes called the “Pope Tract”). Mr. Lewis and Mr. Brown explained that the project would include more than 254 residential units plus commercial space. There were questions about the scope of the project, also stormwater facilities. Mr. Ton asked about capacity. It was explained that, under the District’s rate order, capacity commitments required a written application (with an application fee) and the application had to be signed by the owner of the property—and further, that the rate order required reviews (or studies), recommendations, Board consideration, etc. After discussion, it was moved and seconded to authorize Mr. Abshire to do the necessary engineering work to review the application for a capacity commitment, if signed and filed. The motion carried.

3. Neighborhood Update (UD4). The President recognized Mr. North, and there was a brief discussion about the next committee meeting.

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 noted that interest paid by TexPool was, again, very low, and he mentioned that Compass Bank was rumored to be leaving the public depository market. Mr. Wright indicated that it would be important to keep a depository with a physical location near the operator's office, because of the high volume of deposits. On the WWTP account, he noted that expenses were about \$44,000 below the budgeted level, for the year to date. 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 96.09% 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. He mentioned the need to start work on the NPDES permit renewal application, for which the cost was estimated at about \$24,000.

Mr. Abshire and Mr. Wright gave an extended briefing on the manhole failure on the south side of SH 105, which involved facilities covered by a special cost-split agreement with UD4 (sometimes referred to as the "Joint Y-Trunks"). Mr. Abshire traced the route of the temporary bypass. Referring to the intercept point for the bypass on the north side of SH 105, Mr. Wright explained that it would probably be necessary to move it farther north, because one of the manholes on the north side of SH 105 would probably need to be repaired or rebuilt to allow continued service. He also mentioned a communication cable that had been drilled through an 18-inch line crossing SH 105 near that manhole. He described the steps that had been taken, including traffic control and inflow protection. Mr. Abshire pointed out that, if the intercept point on the north side were moved farther north, it would be a good time to televise the 18-inch line crossing SH 105 and repair it or rehabilitate it, if necessary. He also mentioned the possible need to rehabilitate the 21-inch line parallel to the south side of SH 105 and the 27-inch lines that flowed southward from the failed manhole to the WWTP. Mr. Wright said the basic idea was to get "as much bank for the buck" out of the bypass system as possible, while it is in place and pumping.

Mr. Abshire gave brief updates on the Sugarcreek Builders project and the Waterpoint development, including build-outs. There were questions about existing facilities on and near the "Pope Tract." Mr. North said there was a slideshow being prepared to describe and explain UD4's proposed water line along the north side of SH 105 that would cross the Pope Tract.

Director Tibbetts moved to authorize Jones & Carter to start the work necessary to apply for renewal of the NPDES permit for the WWTP. Director Robert seconded, and all voted in favor.

Later in the meeting, the Board considered the District's request for statements of interest and qualifications (RFSI&Q) for engineering services and the proposed agreement for engineering services. After an extended discussion, it was moved and seconded to find and determine that the two most qualified firms (among those that expressed interest) were WGA (Ward, Getz & Associates, PLLC) and Bleyl & Associates (Bleyl Engineering) and that the President and attorney be requested to set up interviews with those two firms in a special meeting of the Board. The motion was adopted unanimously.

7. Operator Report, Etc. Mr. Wright presented the operator's report and noted the pumpage and usage data. He distributed a draft CCR (drinking water quality report). After discussion, there was a motion to approve the report if formatted to use the TCEQ template (like the prior year). The motion was seconded and adopted. The motion included authorization to distribute the report electronically (online posting) with a short reference to it on the water bills. There were questions about water quality

and a brief discussion of pumping Catahoula water vs. pumping Jasper water, including the balance between the two.

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 reported on a drainage outfall into Lake Conroe near April Wind North. Mr. Abshire reported that many outfalls into the lake were made of corrugated metal, which deteriorates over time. There was a discussion about drainage in that vicinity.

8. Intergovernmental matters. There was an update and discussion about the SH 105-TxDOT project.

9. District policies, rates, etc. The President reported on a draft letter to the City of Conroe to propose greater coordination on permits, plans, inspections, etc. (also other regulatory matters of mutual interest). After discussion, there was a motion to authorize the President to send a cut-down version of the letter to the Mayor and Mr. Tommy Woolley. The motion was 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 5:50 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on Jan 21, 20 21.

SIGNED: Doris 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)



Jac C. Ball, 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 May 17, 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://www.mcud3.com/meetings/documents. 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, 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; repairs; shared costs; agreements (including Aqua Texas, Inc./Lake Conroe Village, UD4, City of Conroe, GPW Two-Waterpoint, etc.); wholesale services, 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:
--Manhole problem on SH 105, emergency repairs, bypass pumping, engineering, and related matters.
--Engineering services, statements of interest and qualifications, procurement, agreement(s), amendments to agreement, 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: (i) City of Conroe issues: strategic partnership agreements, annexation, services, WWTP, building and plumbing codes (and related plans, permits, inspections, etc.); (ii) SH 105-TxDOT issues (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 contract; 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 17 de mayo 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: 5/12/2021

