

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 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 **July 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 three members of the Board were present at the meeting place (Ms. Boulware, Ms. Robert and Ms. Smith), and two members were present via telephone conference call (Ms. Hickman and Mr. Tibbetts), thus constituting a quorum. Also present at the meeting location were: Justin Abshire of Jones & Carter, Inc. (“J&C”); Chris Roznovsky and Katherine Vu of Ward, Getz & Associates, PLLC (“WGA”); Philip Wright of Hays Utility North Corp.; and Mr. Steve Haskins of Protocol Bookkeeping, Inc. Present via conference call were: Mr. John Howell of The GMS Group, L.L.C., financial advisor for the District; Mr. James Dougherty, special counsel for the District; and Mr. Gary North, President of Montgomery County Utility District No. 4 (“UD4”). The meeting was called to order by the Secretary, as acting presiding officer, 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. The Board next considered minutes from the June 21, 2021 meeting. There was a motion to approve the draft minutes, with corrections noted. The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood Update (UD4). The Secretary recognized Mr. North, who described a water main break in a condo development in the neighborhood. Mr. Wright showed an aerial photo and gave more details about the incident, including water intrusion into some units.

Later in the meeting, there was an extended discussion of the changes UD4 reps had asked to make in the previous draft of the consolidation agreement, including a requirement that both Districts would have to sell bonds for the WWTP expansion before consolidation, so that debt service taxes to pay-off those bonds (after consolidation) would be levied separately on the land within UD4 and the land within UD3. After discussion it was duly moved and seconded to: (1) authorize J&C to prepare an updated cost estimate for the WWTP expansion, (2) authorize WGA to prepare a summary of cost for a bond issue; and (3) call a special meeting for 2:00 PM on July 27 and invite UD4 representatives (all or part) to join in the meeting. The motion was adopted unanimously.

4. Bookkeeper's Report; Investment Report; Etc. Mr. Haskins presented the bookkeeper's written reports, one for the General Fund and the other for Regional WWTP. He mentioned the requirement to escheat unclaimed funds to the State of Texas and other items listed in the reports. He explained that revenues less expenses for the Regional WWTP were running better than budgeted. There was a discussion about the manhole failure and related work along SH 105.

It was duly moved and seconded to approve payment of the bills, including the checks prepared by Mr. Haskins. All voted in favor. Director Smith moved to authorize the bookkeeper to send a quarterly accounting of the O&M costs for the joint sanitary sewer lines to UD4, with backup data, also with a letter proposing a split of the costs of the northeast manhole work (including installation of a companion receiving manhole for the UD4 force mains). The motion was seconded, and all voted in favor, thus adopting the motion..

5. Tax Assessor-Collector, Etc. The Secretary noted that the Tax Assessor-Collector's report for the preceding month showed that 97.95% of the taxes for TY2020 had been collected.

6. Engineer's Report, Etc. Mr. Abshire presented and reviewed his engineer's report, including work underway. He gave an update on the renewal of the discharge permit for the WWTP and indicated that he would be working with WGA on transitioning basic services from J&C to WGA.

Mr. Roznovsky presented his report and mentioned a buildout project in the new part of the Waterpoint development. There was a question about the ownership of the adjacent condominium project.

7. Operator Report, Etc. Mr. Wright presented the operator's report. He showed photos of the facilities affected by the manhole failure and related repairs near SH 105, and he described the necessary work, also difficulties that had been encountered, including rain, water intrusion, cave-ins, bypass pumping, etc. He said he had a final tabulation of the total cost, \$753,225.26, of which about \$586,000 had been paid in June. Mr. Dougherty explained the work order that had been issued to Hays, had a not-to-exceed amount of \$675,000. He said the work order called for traditional contract close-out documents for final payment, but not all of those documents had been received. After discussion, Director Robert moved to approve and authorize an amendment to the work order to increase the not-to-exceed amount to \$753,225.26. The motion was seconded, and all voted in favor. Director Robert moved to authorize a second progress payment to Hays in the amount of \$57,821. Ms. Hickman seconded, and all voted in favor, thus adopting the motion.

Mr. Wright described work that would be necessary to add anchors for air diffuser equipment in the digester at the WWTP. He recommended doing the work right away, because the digester was empty at that time (for sludge operations). Mr. Abshire indicated that it would be wise to replace the anchors while the digester was empty. After discussion, Ms. Hickman moved to authorize the operator to check and add the anchors, as necessary, at a cost not to exceed \$4,000. Director Robert seconded, and all voted in favor.

Mr. Wright also reported on customer service items and the cutoff list.

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 Board then 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.

8. Intergovernmental matters. Early in the meeting, Mr. Howell gave an update on the debt service payments required to be made by the City of Conroe under the Strategic Partnership Agreement. He described his most recent discussion with the City's Finance Director. He said the Finance Director had taken the position that the District should sell bonds to provide the cash necessary to refund the outstanding bonds (held by the TWDB), with all the savings being passed-through to the City. Mr. Howell explained that the SPA allowed the City to trigger a refunding if the City--not the District--were to put up the necessary cash. There was a discussion about the possibility of the City taking that action, which might result in a "win-win" outcome. Mr. Howell said the TWDB was apparently willing to help and would need about three months' notice of a proposed refunding. After discussion, there was a motion to authorize the President to send an email to the City to describe the proposed savings and offer to assist the City with a refunding as authorized by the Strategic Partnership Agreement.

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 5:12 PM. The motion was seconded and carried unanimously.

These minutes were approved by the Board of Directors on 8-16, 2021.

SIGNED: Doris Heckman, 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*.

[Signature], Secretary, Board of Directors

