

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 17, 2022

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 17, 2022**, beginning 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, 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, thus constituting a quorum. Also present at the meeting place were: Austin Gee and Katherine Vu of Ward, Getz & Associates, PLLC (“WGA”); Philip Wright of Hays Utility North Corporation; Steve Haskins of Protocol Bookkeeping, Inc.; and James Dougherty, special counsel for the District. Mr. Gary North, President of Montgomery County Utility District No. 4 (“UD4”) arrived a few minutes after the start of the meeting. The meeting was called to order by the President, and in accordance with the notice attached as *Exhibit A*, the following business was transacted:

1. Notices, Minutes, Etc. The Secretary reported that notice of the meeting had been posted as required by law, in the form shown in *Exhibit A*, attached. The Board considered minutes from the meeting of December 20 and December 30, 2021. There was a motion to approve those minutes, as revised. The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood Update. Ms. Boulware announced her resignation from the consolidation advisory committee. Mr. Tibbetts offered to serve in her place. Later in the meeting, Director Robert moved to confirm Mr. Tibbetts’ appointment to the committee. Director Smith seconded, and all voted in favor.

There was a discussion about the proposed First Amendment to the 2011 agreement for the WWTP. Mr. North said the UD4 Board was meeting on that subject the following day. There was further discussion, after which Mr. Tibbetts moved to approve and authorize the First Amendment and the two permit documents (transfer application and amended renewal application), in substantially the forms circulated the previous Friday. The motion was seconded, and all voted in favor. Mr. North said he would contact Ms. Hickman as soon as possible after the UD4 meeting the following day.

Director Boulware asked what would happen if UD4 did not also approve the amended application and the other documents. Ms. Vu explained that TCEQ needed to know which direction to take on the permit renewal, and, if UD3 did not advise TCEQ promptly, there was a risk that the permit would expire before the renewal permit could be issued. Director Tibbetts moved to authorize the engineers to move ahead with the original renewal application if UD4 did not approve the amended application and other documents. The motion was seconded, and all voted in favor.

Later in the meeting, Director Boulware reported on discussions about the proposed ballot propositions for the consolidation election, including specific wording for the assumption of voted-but-unissued bonds. She said there was a possibility that the consolidated district would not be authorized to refund bonds that might be assumed, and a representative of the Attorney General's office had pointed that out. She said she had recommended that there be a joint Board meeting with all consultants in attendance.

The President reported that there was a committee meeting set for the following Thursday to review and negotiate amendments to the 2011 agreement for the WWTP.

4. Financial Matters. Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP. He reviewed revenues and expenses, also interest earnings on invested funds. He said there was an unreconciled amount of about \$1,600. Mr. Wright said it probably resulted from a difference in timing between operating fund deposits and reports. After discussion, Ms. Boulware moved to accept the reports and approve and authorize the checks prepared and presented. Director Smith seconded, and all voted in favor.

Mr. Haskins presented a proposed amended budget. There was a discussion of specific changes, including: (i) increase Account 5398 (maintenance tax collection) to match the net amount budgeted as a transfer from the Tax Account; (ii) increase Account 6135 (for transmission water line replacement); (iii) reduce Account 6235C to zero because UD4 had taken over the Capetown Lift Station; (iv) reduce Account 6235E to \$75,000 because much of the previously-budgeted work on the Y-Trunks had been done in 2021; (v) increase Accounts 6322A and 6322B because of the changes in Accounts 6135 and 6235; and (vi) budget \$10,000 for election expenses. Director Robert moved to approve the budget, amended as discussed. Director Smith seconded, and all voted in favor.

Mr. Haskins reported that he had two checks from UD4 for the manhole failure on SH105 and related sanitary sewer work. He said they were marked as payment "in full" (but they totaled less than the amount billed because UD4 had taken a deduction of about \$28,000). There was a discussion with Mr. North about the deduction. He explained that the deduction was for part of the engineering fees incurred by UD4 a few years before, in connection with the pressure maintenance valves for the water system. There was an extended discussion of the pressure maintenance valves. Ms. Vu and Ms. Hickman described where the valves had been installed and mentioned that two of them had to be moved and re-installed. Mr. Dougherty found a summary given by Mr. Roznovsky at the November meeting:

Using a wall map and magnetic dots, he [Mr. Roznovsky] showed the original eight valve locations, also the optimized locations and sizes (six locations using smaller valves). He said four of the original valves were installed, but two of those had to be relocated. Later, he said, two more were installed (making up the six at the optimized locations).

The discussion about the pressure valves branched into a discussion of groundwater credits. Mr. North said UD3 had caused the two districts to lose a sale of groundwater credits. Ms. Hickman pointed out that the two districts had sold those credits, so no sale was lost. She also said that UD3 had been opposed to selling a well permit, not credits. There was further discussion but no consensus on action to take. Mr. Haskins said he would hold the checks in his safe.

Director Boulware gave a brief presentation about a cash-flow spreadsheet prepared by the financial advisor. She said the spreadsheet indicated that increased revenues would become necessary in two or three years. The President indicated that paying the debt service on a proposed new bond issue for the WWTP could require an increase in the tax rate of about 11 cents (or other equivalent revenue increases).

5. Tax Assessor-Collector, Etc. The tax assessor-collector's report indicated 59.49% of TY 2021 taxes had been received.

6. Engineer's Report, Etc. Ms. Vu presented the engineer's written report. She reviewed pending projects. Mr. Tibbetts added information he had received about TxDOT's access management project on SH 105, including a report that TxDOT would be installing an acceleration lane on SH 105 at April Sound Boulevard.

Ms. Vu explained that the TCEQ was requesting engineering plans for an existing water softening system because TCEQ was gathering many old records on the water system. She explained that the authorized engineering work was only to prepare "as built" plans for the water softening system at the water plant, not to build a new system.

The President asked about contacting Mr. Chris Garcia with Aqua Texas, Inc. Ms. Vu said she would reach out to him again. Mr. Wright said some pictures received from Jones & Carter showed the revised configuration of the connection of the Aqua force main to a District manhole near April Sound Church.

Ms. Vu said that the cost estimate for the WWTP bond issue was designed to cover all possible needs (including sludge dewatering facilities) to keep open the option of funding all facilities as finally designed. The President asked Mr. North if the UD4 Board would like to hold a joint meeting with the UD3 Board to hear from the engineers and discuss the project. He said he would ask his Board.

7. Operator Report, Etc. Mr. Wright presented the operator's report. There were questions and a discussion about dissolved minerals in the drinking water and ways to reduce them, also the quality of water in the Catahoula Aquifer. Director Boulware asked about the current number of condominium units shown in the report. Mr. Wright reported supply-chain problems were making it difficult to obtain water pipe and fittings. He said, for example, that eight-inch C900 PVC pipe was costing almost \$50/foot (up from \$15/foot).

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.

8. Intergovernmental matters. There was no action taken.

9. District policies, etc. Mr. Dougherty gave an update on preparations for the May 2022 directors election. After a brief discussion, Director Smith made a motion that the Board:

- (1) adopt the proposed "ORDER CALLING DIRECTORS ELECTION;"
- (2) authorize the Secretary or the Secretary's designee, on receipt of a certification required by Section 2.052(b), Election Code, to post notice that the election is not to be held (as authorized by Section 49.103 of the Water Code), and, in that event, the Secretary or the Secretary's designee would be authorized to notify the County that the election is unopposed and will be canceled;
- (3) approve and authorize execution of contracts and agreements with Montgomery County, including the proposed joint election agreement and agreement for election services; and

(4) authorize the President, the Secretary, the Secretary's agent (appointed for election matters), and the attorneys (each of them) to take such other and further actions as may be necessary or convenient to prepare for or conduct the election.

The motion was seconded and adopted unanimously.

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

11. Other. There was no action taken on this item.

These minutes were approved by the Board of Directors on Feb. 21, 2022.

SIGNED: Doris Nickman, 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 as required by state law, in the form attached as *Exhibit A*.

[Signature], Secretary, Board of Directors



Exhibit A

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

NOTICE: In accordance with chapter 551, Texas Government Code and Section 49.063, Texas Water Code, both as amended, take notice that the Board of Directors (Board) of Montgomery County Utility District No. 3 (District) will meet in its regular session open to the public, at 2:00 PM on January 17, 2022 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. 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:
4. Financial matters. Receive, discuss, consider and act upon: bookkeeper and investment reports; budgets (GF and WWTP); bills/payments, transfers; depository matters; audit; investments; bonds (application to TCEQ, 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; also: amended district information form.
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 and negotiations (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; operation, repairs, replacement, overhaul, costs, use, plans, costs, rates, etc.
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 charges (including increases); rate order amendments; and related matters.
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, arbitration, consultants, solid waste, etc.); insurance; investments; elections for directors and consolidation of the District and election matters; County contract, preparations, etc.; cyber-security; meetings; public records; solid waste; publication of rules, regulations, penalties, etc.; 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 (Reunión): 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 enero de 2022, a las 2:00 PM en 375 Lake Meadows Drive, Montgomery, Texas 77356 en el condado de Montgomery, Texas con los siguientes temas, entre otros: elecciones para directores y la consolidación de los distritos y asuntos electorales.

Signed: [Signature]
Secretary, Montgomery County Utility District No. 3.
Date: 1/17/2022

