

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 21, 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 **March 21, 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 Chris Roznovsky of Ward, Getz & Associates, PLLC (“WGA”); Philip Wright of Hays Utility North Corporation; Steve Haskins of Protocol Bookkeeping, Inc.; 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 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 February 21, 2022, as presented, and the special meeting of March 3, 2022, as revised. There was a motion to approve those minutes. The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood Update. Mr. North and Ms. Hickman mentioned upcoming committee meetings.

4. Financial Matters. Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP. He described three draft authorizations for wire transfers of funds to TexPool. He reviewed revenues, expenses and balances, including the balances in the commitment fees account and the capital project funds. He explained that the City had made two debt service payments under the Strategic Partnership Agreement that were short by more than \$200,000, apparently because they were using the debt service schedule for the 2020 refunding bonds rather than the debt service schedule for the 2011 revenue bonds (with the increments shown in the SPA). There was a brief discussion. It was reported that the City had requested a copy of the debt service schedule for the 2020 refunding bonds (which were tax-backed bonds) and had used it to determine the last two payments to the District. Mr. Haskins said he would be calling the City staff to get the payments corrected.

There was a question about the check prepared to pay the premiums for the insurance renewal. Apparently, the check included the premium for a new D&O policy. Mr. Dougherty explained that the new D&O carrier had required a new application, and that application disclosed the contractual dispute with UD4. He also reported that the new D&O carrier had excluded coverage for any claim that might

result from that dispute. Mr. Wright gave an update on a new sewage problem at 177 April Wind Ct., which may have been related to a potential claim filed the preceding year. There was a discussion and questions about causation.

There was a motion to accept the reports and approve and authorize the checks (also the three authorizations for wire transfers) prepared and presented. The motion was seconded, and all voted in favor.

5. Tax Assessor-Collector, Etc. The tax assessor-collector's report indicated 91.91% of TY 2021 taxes had been received.

6. Engineer's Report, Etc. Mr. Roznovsky presented the engineer's written report. He reported that he had sent UD4 the information about the proposed sanitary sewer rehabilitation project, but UD4 had not given its approval for the award of the contract. There was a discussion about the timing of the UD4 approval (also approval by the Operations Committee) relative to the expiration of the bids on April 16. The President called a special meeting for March 28 at 11:30 AM to consider the award.

Mr. Roznovsky and Mr. Wright described a leak in the Aqua Texas force main on SH 105. Mr. Tibbetts gave an update on the discussions with Aqua Texas about amendments to the sewage disposal agreement, including the possibility that part of the Aqua flow could be diverted to an Aqua treatment plant and part treated at the UD3-UD4 WWTP, avoiding the need to terminate the agreement. (Later in the meeting, there was a request that Mr. Roznovsky check with the Aqua reps about the proposed system design, because it would affect the amendments to the agreement.) The discussion expanded to include the pending amendments to the UD3-UD4 joint WWTP agreement, including the possibility that UD3's capacity requirements in the proposed expansion would drop (perhaps by 100,000 GPD) if the contract with Aqua Texas were terminated. There was an extended discussion, including the pending proposal to amend the UD3-UD4 joint agreement to allow transfers of capacity between participants. It appeared that UD3 would have plenty of capacity, but UD4 might not, particularly if the Water Oak tract in UD 4 were to require high-density utility capacity.

Mr. Tibbetts and Ms. Hickman gave an update on the consolidation discussions, including a report that UD4 reps wanted to update the financial analysis to estimate future tax rates (and possible benefit to UD4). Mr. Tibbetts said that had raised the question of whether consolidation would be in the best interests of UD3, especially if UD4's capacity needs cause the next expansion of the WWTP (which was expected to be very expensive). Mr. Roznovsky explained that UD3 needed to participate in the currently-proposed expansion (to increase the capacity to 1.2 MGD). There were questions about the on-site dewatering facilities (which would cost over \$5,000,000) and the matrix used to evaluate the need for them. There was a discussion about the overall costs as well as the possible cost of a future expansion to 1.5 MGD. Mr. Wright said a large cost item in the current expansion was oversizing the wet well at the lift station, but that was beneficial for operational reasons (because it added storage capacity for influent).

Mr. Tibbetts gave more details about negotiations on amending the UD3-UD4 joint WWTP agreement. He described the draft agreement based on the existing SPA's, which had apparently triggered a request from UD4 reps that the next meeting of the committee not be held for about six weeks.

There was a discussion about the engineering proposal for the currently-proposed WWTP expansion, including the overall cost and the fee structure. It was explained that Mr. Roznovsky, Mr. Bleyl and Mr. Dougherty would be working on it. There were questions about some items in the currently-proposed expansion that related to engineering (or inspections) when the original plant was built.

7. Operator Report, Etc. Mr. Wright presented the operator's report. He described the function of the new 12-inch line UD4 had built along SH 105. He said it was equipped with a one-way check valve that would prevent it from being used unless certain conditions were met on the receiving end (like a drop in pressure). As a result, the water in the line would be stagnant and would have to be flushed-out periodically. There were questions about the costs of the water that was flushed-out.

Mr. Wright explained that the pumpage data showed inflow and infiltration into the sanitary sewer system. He said a lab sample had shown a phosphorus level of 1.07, but the permit limit was 1.00. He said it had to be reported to TCEQ as an excursion, but he had been told that the action level at TCEQ was 10% over the permit limit. He reported an issue at the lift station on the WWTP plant site (the pump's volute had to rebuilt).

Mr. Wright showed a short piece of black poly tube that had failed when a heat lamp was turned on at the water plant (to prevent freeze-up). He said the tube controlled a pressure switch, and when it failed, the booster pumps came on, which raised the pressure in the system, and some service lines had failed. He described a proposal to modify the controls to make them more resistant to freezing.

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. There was a motion to adopt an "ORDER AND RESOLUTION DESIGNATING AND RE-DESIGNATING MEETING PLACES, [ETC.]" with a change in the name of Jones & Carter, Inc. to Quiddity Engineering. 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 on this item.

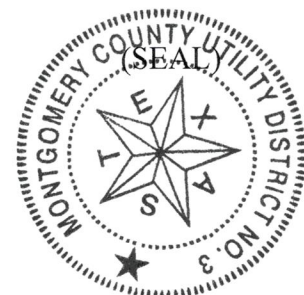
There was a motion to adjourn at about 5:00 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on April 18, 2022.

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 as required by state law, in the form attached as *Exhibit A*.

John C. [Signature], Secretary, Board of Directors



DOC# 22-0535
POSTED
03/16/2022 02:25PM
AISHA BREVITI
MARK TURNBULL, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

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 in regular session open to the public, at 2:00 PM on March 21, 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: —consolidation (merger) of the District with UD4, including agreement, election, water facilities and related matters.
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, improvements, 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; system modeling; interconnections (Stanley Lake MUD, etc.); Joint Water Operating Committee (JWOC); UD3-UD4 joint system matters, including water and sewer contracts, WWTP and other facilities, amendments, shared costs; etc.; (iv) Lone Star Groundwater Conservation District and San Jacinto River Authority issues and rules, regulations, contracts, permits, credits, authorizations, transfers, transactions, 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 and related facilities, emergency repairs, bypass pumping, engineering, shared costs and related matters.
7. **Operations.** Receive, discuss and act upon operation report, also: customer matters; repairs and maintenance; grounds maintenance; other projects; claims; operations contract; easements (and encroachments); water audits/conservation (and drought contingency); utility services, policies, rates and charges (including increases); rate order amendments; and related matters. —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, arbitration, consultants, solid waste, meeting places, offices, records, etc.); insurance; investments; elections for directors and consolidation of the District and election matters, including arrangements for directors election set for May 7, 2022 and cancelation (if unopposed); 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. —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 21 de marzo de 2022, a las 2:00 PM en 375 Lake Meadows Drive, Montgomery, Texas 77356 en el condado de Montgomery, Texas, con las siguientes temas, entre otros: elecciones para directores y consolidación de los distritos y asuntos electorales, incluidos los arreglos para la elección de directores programada para el 5 de mayo de 2022 y cancelación (si hay candidatos sin oponentes)

Signed: Jam Charles

Secretary, Montgomery County Utility District No. 3.



Date: 3/16/2022