

MINUTES OF MEETING OF BOARD OF DIRECTORS

April 18, 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 **April 18, 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 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 (arrived after the start); and Mr. Mark Eyring of Mark C. Eyring, CPA, PLLC. 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 draft minutes for the regular meeting of March 21, 2022, as revised, and for the special meeting of March 28, 2022, as revised. There was a motion to approve both. The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood Update. Later during the meeting, the Board reviewed draft schedules prepared by the financial advisor. They showed projected debt service rates based on projected revenues and expenses, also certain assumptions the consolidation committee had discussed (issuance of \$10 million in new bonds by each District, in addition to the proposed 2022 bonds for WWTP improvements). There was a discussion about the schedules.

4. Financial Matters. Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP. He described a slight increase in interest rates and the need to make a deposit into the reserve fund for the bonds held by TWDB. He explained that the debt service payments from the City of Conroe were supposed to cover the debt service on those bonds, but the City had made the last two payments based on the 2014 bond issue, which was different. He said the allocated portions of the City’s annual lump-sum payment (for “non-flow related” expenses at the WWTP) were more than the actual amounts of those expenses (as of that date).

There was a motion to accept the reports and approve and authorize the checks as prepared and presented. The motion was seconded, and all voted in favor.

The President recognized Mr. Eyring. He proposed a new two-year audit engagement. After discussion, there was a motion to authorize the new engagement letter, which had a Form 1295 attached. The motion was seconded, and all voted in favor. The President signed the letter, in duplicate.

Mr. Eyring presented a draft of the annual financial report (audit report) for FY 2021. He mentioned a 90-day invoicing request (or requirement) imposed by Montgomery County Utility District No. 4 (“UD4”). There were questions and a discussion about the TCEQ regulatory assessment and the permit fees imposed by LSGCD. It was explained the rate order did not authorize a surcharge for those costs, but it could (as was done in UD4). It was also explained that those costs per customer, if surcharged, would be about \$2.00 per month, but the base rates in UD3 were higher than the rates in UD4 by about that much. There were also questions about fees of office and annual limits. Mr. Eyring gave corrected figures for those fees. After further discussion, Director Robert moved to approve the draft audit report, as corrected, and the proposed representation letter. Director Smith seconded, and all voted in favor. The President asked the attorney to assemble the letters required by the auditor and provide them to Mr. Eyring.

5. Tax Assessor-Collector, Etc. The tax assessor-collector’s report indicated that 93.72% of TY 2021 taxes had been received.

6. Engineer’s Report, Etc. Mr. Gee presented the engineer’s written report. He mentioned a drainage project near Summers Wind Street. He gave an update on the sanitary sewer rehabilitation project. The attorney reported that the insurance agency for the low bidder on that project appeared to be poised to submit compliant insurance certificates, but the bidder had requested two variations from the insurance specifications. There was a discussion, after which there was a motion to authorize the President to: (i) review and approve requests for variations; and (ii) subject to approval of the variations, execute the contracts. The motion was seconded, and all voted in favor.

Mr. Gee reported on the pending bond application. There was a motion to: (i) adopt a resolution approving an application for TCEQ approval of bonds in the amount of \$6,835,000 for the WWTP; (ii) authorize a check payable to the TCEQ in the amount of \$500 for the application fee, and (iii) authorize the engineers to submit the application to TCEQ.

There was a discussion about the negotiations with Aqua Texas, Inc. regarding service to Lake Conroe Village, including the relationship to the amendments to the main WWTP agreement (under negotiation).

Mr. Gee mentioned the need to complete the water-loss audit and the negotiation of a proposal from Jones & Carter, Inc. (now “Quiddity Engineering”) for engineering services for the WWTP improvement project. There was a discussion about that proposal. Apparently, UD4 had taken the position that UD4 would not discuss that proposal until after the pending amendments to the WWTP are completed. There was a general discussion about the WWTP amendments and the drafts the negotiators had considered.

7. Operator Report, Etc. Mr. Wright presented some pump run-time data for sewage lift stations, and, referring to a system map, he suggested some parts of the system to check for possible inflow or infiltration. He said he recommended raising some manholes near the golf course and doing smoke testing in the April Villas area. He also recommended more manhole inspections (and manhole re-linings, where indicated), also smoke-testing areas where sewer lines and manholes were located in drainage ditches. He said smoke testing would work better when the soil dries out. He said he would go ahead and investigate some of the manholes and let the Board know what he discovers.

Mr. Wright also presented the operator’s written report, which included well reports. He said the reports showed the aquifer level was holding steady. There was a question about the phosphorus level at the WWTP. Mr. Wright showed a map of April Point Drive North and explained that the operator was working with the ASPOA to replace storm sewer inlets when ASPOA replaced pavement. He said some costs for the Catahoula well were miscategorized in the report and would be credited and re-billed the following month.

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. The Secretary reported on discussions in the neighborhood about the City of Conroe and the Strategic Partnership Agreement.

9. District policies, etc. There was no action taken.

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

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

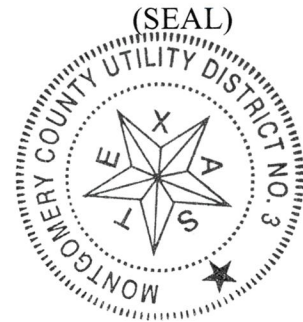
There was a motion to adjourn at about 5:20 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on May 16, 2022.

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

[Signature], Secretary, Board of Directors



DOC# 22-0688

POSTED

APR 14 08:04:20PM

AIRN PREVITI

MARK TURNBULL, COUNTY CLERK

MONTGOMERY COUNTY, TEXAS

MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

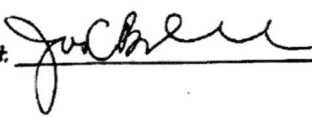
NOTICE: In accordance with chapter 551, Texas Government Code and Section 49.004, Texas Water Code, both as amended, take notice that the Board of Directors (Board) of Montgomery County Utility District No. 3 (District) will meet in in regular session open to the public, at 2:00 PM on April 18, 2022 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 (report, engagement of auditor and related matters); 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; drainage; 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, arbitrage, 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 18 de abril 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, la consolidación de los distritos y asuntos electorales, incluidos los arreglos para la elección de directores programada para el 7 de mayo de 2022 y cancelación (si hay candidatos sin oponentes)

Signed: 

Secretary, Montgomery County Utility District No. 3



Date: 4/12/2022