

**MINUTES OF MEETING OF BOARD OF DIRECTORS**  
**June 20, 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 **June 20, 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: Chris Roznovsky and Katherine Vu of Ward, Getz & Associates, PLLC (“WGA”); Steve Haskins of Protocol Bookkeeping, Inc.; James Dougherty, special counsel for the District; Tim Bailey d/b/a Bailey Brothers Garbage; and Gary North, President of Montgomery County Utility District No. 4. The meeting was called to order by the President, and the following business was transacted, in accordance with the notice attached as *Exhibit A*:

**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 May 16, 2022, and the special meeting of June 2, 2022, both as revised. There was a motion to approve both sets. The motion was seconded, and all voted in favor.

**2. Public comments.** There were no public comments.

**3. Neighborhood update.** The President recognized Mr. North. He had no presentation on neighborhood matters, but there was a discussion with Mr. Bailey about the Collector’s request for a rate increase. Mr. Bailey discussed increases in costs and asked for an increase in the contract rates. Mr. Tibbetts made a motion to: (i) authorize the President to work with Mr. North and Mr. Bailey to determine the amount of the increases in costs since June of 2021; and (ii) authorize the President to sign an amendment to the existing contract to increase the per-residence fee to reflect those increases, effective simultaneously with a corresponding amendment to the UD4 solid waste contract (estimated to take effect July 1, 2022). The motion was seconded and adopted unanimously. Later, there was discussion of consolidation proposals in the context of the proposed bonds and WWTP improvements.

**4. Financial matters.** Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP, also the quarterly investment report. He mentioned that some tap fees had been received, so tap revenues were up for the year, and, although expenditures appeared to be down, it was because some budgeted maintenance and repairs expenses had not been spent yet. He mentioned the October debt-service payment for the District’s revenue bonds (held by the TWDB), which was to be covered by the City of Conroe’s payment expected in September.

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

Mr. Howell reported that the TCEQ had sent a memo indicating tentative approval of a bond issue in the amount of \$6.835 million for the WWTP project. He said the consolidation agreement (under negotiation) could require that the bonds be sold by early August. He mentioned that the Board would have discretion to sell less than \$6.835 million in bonds, explaining that the District had over \$3,000,000 in cash. Mr. Tibbetts described a need for the consolidation agreement to be written to provide that part of the WWTP cost could be paid from cash rather than from bond proceeds. He and Mr. North discussed that issue, and Mr. North indicated that the consolidation committee should consider that question. The discussion also included a report of “astronomical” increases in tax appraisals and the possible effect on tax rates. There was an extended discussion of the WWTP improvements and the effect of “legacy debt” (like the proposed new bonds) on consolidation and the taxpayers within the boundaries of UD3.

**5. Taxes, etc.** The tax assessor-collector’s report indicated that 96.63% of TY 2021 taxes had been received.

**6. Engineering matters.** Mr. Roznovsky reported on the latest revision to the Quiddity Engineering proposal for engineering services (for the WWTP improvements). He said it showed a slightly-reduced amount for the preliminary and design phase, which was \$1.076 million (plus surveying, etc.). He indicated that it was still higher than requested by UD4. He said a WWTP Operation Committee meeting set for that morning (June 20) had been canceled, but the regular committee meeting date was still set for June 27. The attorney reported on the corporate restructuring of Jones & Carter, Inc. which had divided the company into multiple entities. He said the attorney for the surviving entities had offered to send a redacted “Plan of Merger” that might answer some of the questions caused by the restructuring. There were questions and a discussion about how the costs of the engineering could be split among the City of Conroe, UD3, and UD4, including the possibility of continuing to treat them as operation and maintenance expenses (paid partly from the City’s prepayment, with the remainder being split, each month, between UD3 and UD4 based on equivalent connections).

Ms. Vu presented other items in the engineer’s written report. There were discussions about some of the Waterpoint plan reviews and the sanitary sewer rehab work, which was scheduled to start the following week. She mentioned the “door hangers” that had been put out to notify affected homeowners about the rehab work (and to recommend that they remove the caps on their sewer cleanouts). She presented a table showing available funds, proposed reserve funds, and estimated costs of proposed projects. Mr. Tibbetts asked about sanitary sewer flow monitoring devices, and there was a brief discussion. Later, there was a discussion about sending a letter proposing a 50-50 split of fees for engineering services.

**7. Operations.** The Board received the operator’s written report.

*The Board saw that notices of delinquency and possible disconnection of service (including the opportunity for a hearing at the Board meeting) had been given to persons 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 discussion and action taken on the requested increase in payments by the solid waste Collector (Bailey Brothers).

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 5:35 PM PM. The motion was seconded and adopted.

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

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

Jessie Culver, Secretary, Board of Directors



DOC# 22-1128  
POSTED  
06/15/2022 09:55AM  
Shelby Curry  
MARK TURNBULL, COUNTY CLERK  
MONTGOMERY COUNTY, TEXAS

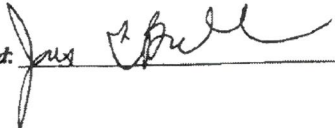
**NOTICE OF MEETING OF BOARD OF DIRECTORS,  
MONTGOMERY COUNTY UTILITY DISTRICT NO. 3**

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 regular session open to the public, at 2:00 PM on June 20, 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, Directors, Officers.** 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 (including agreements); 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.
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, arbitration, consultants, solid waste, meeting places, offices, records, etc.); insurance; investments; cyber-security; meetings; public records; solid waste (including contracts); 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.

Signed: 

Secretary, Montgomery County Utility District No. 3.

Date: 6/15/2022

