

**MINUTES OF MEETING OF BOARD OF DIRECTORS**  
**July 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 **July 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: Luke Broseman and Katherine Vu of Ward, Getz & Associates, PLLC (“WGA”); Steve Haskins of Protocol Bookkeeping, Inc.; James Dougherty, special counsel for the District; and Mike Ganson, Director 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 June 20, 2022. There was a motion to approve them as presented. The motion was seconded, and all voted in favor.

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

**3. Neighborhood update.** The President greeted Mr. Ganson. He had no special presentation on neighborhood matters.

**4. Financial matters.** Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP account, also the quarterly investment report. There was a discussion about how best to close the old account at PNC Bank and have the remaining balance paid to the District. After discussion, there was motion to adopt a resolution to authorize the Treasurer to close the account and have the remaining balance paid to the District by check or wire transfer, as the bank may desire, and to authorize any two other Directors to sign the document to close the account. The motion was seconded, and all voted in favor.

There were questions about some of the checks that had been prepared. Mr. Haskins explained that he had consulted with the financial advisor about a letter from TWDB complaining about reserve funds for the District’s revenue bonds. After a brief discussion, he said he would make sure there would be a formal response explaining that the reserve funds were OK (and that the TWDB concurs).

There was a motion to accept the bookkeeper report and to approve and authorize the checks as prepared and presented (it being understood that releasing the check prepared to reimburse a plumbing expense would be subject to receipt of a settlement agreement to cover that expense). The motion was seconded, and all voted in favor.

5. **Taxes, etc.** The tax assessor-collector's report was apparently not received in time for the meeting.

6. **Engineering matters.** Ms. Vu presented the engineer's reports (dated July 15 and July 18) and a revised version of the Quiddity Engineering proposal for engineering services for WWTP improvements. Regarding TxDOT's project on SH 105, she said there was a concrete shortage that was causing delay and there was a new project representative at TxDOT (Abraham Guzman).

Focusing on the Quiddity proposal, she said some of the cost items had been rearranged, and there was a change in the plan review stages. Mr. Dougherty briefed the Board on the underlying contractual situation, including the old WWTP agreement and unsuccessful attempts to amend it or interpret it jointly, also discussions with Aqua Texas, Inc. about the contract to serve Lake Conroe Village. Mr. Wright reported that Aqua had not made contractual payments since March and, when he inquired, he was told that the invoices should have been submitted to a different email address. There was a general discussion about the underlying contractual situation, also the loading on the plant, including inflow, infiltration, etc. Ms. Vu reported that she had received an inquiry from an engineering firm (Bleyl Engineering) on behalf of an unnamed potential developer of the large undeveloped tract on SH 105 (approximately 10 acres).

After further discussion, Director Robert moved to: (A) authorize a letter to UD4 (i) proposing that UD3 enter a PSA amendment with Quiddity Engineering (and related entities), and (ii) offering to split the cost based on capacity shares, with pre-funding of \$1.092 million toward the cost (\$273,000 City of Conroe share and \$409,500 each for UD3 and UD4) by payments into the Regional WWTP account, with a "true up" at the end, and (B) authorize a check for the UD3 pre-funding share (\$409,500); (C) authorize the President to work out and sign the PSA amendment (including fee proposal) when those conditions are fulfilled; and (D) indicate a desire to have the PSA amendment signed by July 31. Director Smith seconded, and all voted in favor.

7. **Operations.** Mr. Wright presented the operator's written report. He said the weather had been extremely dry, and the resulting shifting of soil was causing water lines to break. He said it also caused an ASCC water line to break, and ASCC had asked for a temporary water meter on April Wind South just south of the golf course pond. After discussion of the use and the applicable rate, the Board determined that the use was "Irrigation-Only" and "Recreational," as those terms were defined in the rate order.

Mr. Wright indicated that he would bring forward an amendment to the rate order to allow a reduction in a water bill when there is a leak or line break (up to once per month per customer). He also reported that the Neptune meter company had announced a big increase in the cost of meters, and the President pointed out that the cost of solid waste collection had gone up by \$2.00 per month per house.

After further discussion, there was a motion to amend the Irrigation-Only, Recreational, or Governmental-Local category in the rate order to set the rate for all usage above 15,000 gallons per billing period at \$3.50 per thousand gallons. There was a second, and the motion was adopted by unanimous vote.

There was also a motion to amend the rate order to increase the minimum water bill in the Residential-SF category (which includes up to 4,000 gallons) by \$2.00 per month. The motion was seconded, and all voted in favor.

*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 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.** The President reported that the requested increase in the fees paid to the solid waste Collector (Bailey Brothers) had taken effect.

**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 5:55 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on August 15, 2022.

SIGNED: Davis Huckman, 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*.

Joe Butler, Secretary, Board of Directors



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

DOC# 22-1276  
POSTED  
07/13/2022 08:08AM

In accordance with chapter 551, Texas Government Code and Section 49.063, Texas Water Preser- both as amended, take notice that the Board of Directors (Board) of Montgomery County Utility District No. 3 (District) will meet in the utility offices open to the public, at 2:00 PM on July 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, 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-wastewater 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; ; engineering and other professional services; 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
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: Jim Chelle, Secretary, Montgomery County Utility District No. 3. Date: 7/13/2022

