

**MINUTES OF MEETING OF BOARD OF DIRECTORS**  
**August 1, 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” or “UD3”) met in **special** session, open to the public, on **August 1, 2022, at 10:30 A.M** 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 President reviewed the membership 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, except Ms. Smith and Mr. Tibbetts, thus constituting a quorum. Also present at the meeting place were Katherine Vu of Ward, Getz & Associates, PLLC (“WGA”) and John Howell of The GMS Group, LLC, the District’s financial advisor. The Board called its outside (non-employee) attorney, James Dougherty, for consultation by telephone conference call, as allowed by Section 551.129 of the Texas Government Code (and each part of the consultation was audible to the public at the meeting place specified in the notice.) 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, Etc.** The Secretary reported that the notice had been duly posted, in the form shown in *Exhibit A*, attached.

**2. Consolidation.** There was a review of the most recent draft of the consolidation agreement, including the three reserve funds to be set up by Exhibit “G,” also the letter from the President of Montgomery County Utility District No. 4 (“UD4”) dated July 29, 2022. There was a discussion about the differences between the most recent draft and the October 21, 2021 draft (which did not mention payments of operating funds or the \$6.8 million in debt demanded in the UD4 letter dated July 29, 2022).

Mr. Howell presented his analysis of funds available to UD3, also an earlier analysis about possible tax increases after consolidation. He explained that the earlier analysis indicated a large tax increase would be necessary to pay maintenance and operation costs, but he had since determined that that a smaller tax rate would probably be sufficient (in the range of \$0.07 per \$100). He said he could not recommend selling \$6.8 million in bonds to cover the full amount of the WWTP as demanded in the UD4 letter, because UD3 had cash on hand that could be used to pay part of the costs.

There was an extended discussion of the proposed consolidation and the WWTP project, including various ways the draft agreement could be revised. The President and the financial advisor presented data on available cash, interest rates, bond issue sizing, contract revenues, taxable values, billed water volumes, etc.

After the discussion, Director Boulware moved to approve and authorize the most recent draft of the consolidation agreement, with revisions to: (1) allow the use of \$360,000 in available cash from the Construction Fund plus \$1,627,500 in available cash from the General Fund to pay part of the specified UD3 share (\$5,947,500) of the WWTP project, to be deposited into the first reserve fund mentioned in Exhibit “G,” with the remainder to be paid from the proceeds of a new bond issue (which would be issued before consolidation, so that it would become part of the so-called “legacy” debt); (2) set the total amount of “legacy” debt so that it would include the amount of the new bond issue calculated by the financial advisor, and use that amount to populate the exhibits of the agreement; (3) increase the total “start up” reserve mentioned in Exhibit “G” to \$2,500,000 and change the proration to use billed water volumes instead of taxable valuations, which would raise UD3’s share of that reserve to \$1,034,000 and lower UD4’s share; (4) also in Exhibit “G,” eliminate the special dedication of revenues from wholesale contracts (like the contract for Lake Conroe Village) and add wording to emphasize that all amounts received from the City of Conroe--under either of the two Strategic Partnership Agreements--would

be dedicated to pay debt service for the indicated bonds, whether revenue-backed or tax-backed; and (5) include the notes mentioned at the top of the first page of the most recent draft (except item 5) and populate the exhibits with the information that had been prepared, modified as described in the motion. Director Robert seconded, and all voted in favor.

Director Boulware also moved to authorize the UD3 committee members to send a letter to UD4 offering the agreement with the revisions listed, subject to bond counsel approval, and explaining the UD3's logic and assumptions. Director Robert seconded, and all voted in favor.

**3. WWTP and related matters.** There was a discussion about the proposed WWTP project, including the contractual background and the proposal from Quiddity Engineering for the design phase. The discussion focused on UD3's previous offer to change the cost split to 50-50 (after deducting the City of Conroe share) and pre-fund estimated shares of the engineering cost, which UD4 had apparently rejected. After discussion, Director Boulware moved to change the offer to allow pre-funding in a new, separate WWTP capital account to be set up by UD3, with bookkeeping to be provided by a firm selected by UD4 (with cost of bookkeeping and bank fees paid out of the account and split 50-50). Director Robert seconded, and all voted in favor.

There was a motion to adjourn at about 1:17 PM. The motion was seconded and adopted.

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

SIGNED: Daris 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*.

Joe Charles, Secretary, Board of Directors



DOC# 22-1399  
POSTED  
07/28/2022 02:22PM  
GWENDALYNN CAMARENA  
MARK TURNBULL, COUNTY CLERK  
MONTGOMERY COUNTY, TEXAS

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

**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 special session, open to the public, at 10:30 AM on August 1, 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.** Meeting notices, agenda, etc.
2. **Consolidation.** Receive, discuss, consider and act upon reports, drafts and data relating to consolidation of the District with Montgomery County Utility District No. 4 (UD4), as allowed by Chapter 54, Texas Water Code, including: (i) proposed consolidation agreement, (ii) available funds and reserve funds; (iii) bonds, debt service, taxes, and other financing; (iv) other agreements, including WWTP agreements with UD4; (v) elections and election dates for joint consolidation election; and (vi) related matters.
3. **WWTP and related matters.** Receive, discuss, consider and act upon reports, studies, plans, and data relating to the joint wastewater treatment plant located south of SH 105 near the District and Montgomery County Utility District No. 4 (UD4), including: (i) improvements, expansions, rehabilitation, site, permits, etc. and proposals and contracts relating to same; (ii) planning, design, engineering, construction, phasing, etc. and contracts and proposals relating to same; (iii) costs, cost-sharing, agreements (with UD4, City of Conroe, Aqua Texas-Lake Conroe Village, other users) etc., (iv) financing, bonds, TCEQ application, etc.; (v) consolidation of the District with UD4, consolidation agreement, bonds, debt service, taxes, etc.; and (vi) related matters.
4. **Operations, repairs, rehab, etc.** Receive, discuss and act upon matters relating to the District's water, sanitary sewer and solid waste systems and operations including repairs, rehabilitation, costs, billing, contract amendments, change orders, etc.
5. **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 1 de agosto de 2022, a las 10:30 AM en las oficinas de Hays Utility North Corporation, el operador de servicios públicos del distrito, en 375 Lake Meadows Drive, Montgomery, Texas 77356 en el condado de Montgomery, Texas con los siguientes temas, entre otros: elecciones y fechas de elección para la elección de consolidación conjunta.

Signed: Jan C. Baker, Secretary, Montgomery County Utility District No. 3. Date: 7/28/2022

