

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 15, 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 **August 15, 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.; and James Dougherty, special counsel for the District. 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 July 18, 2022, and the special meeting of August 1, 2022. There was a motion to approve them (with a revision to the July 18 set). The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood update. There was no representative of UD4 in attendance. The President and the attorney gave an update on neighborhood matters, including the revised consolidation agreement offered to UD4 by UD3 and the revised offer regarding the WWTP project (regarding design-phase engineering). The President and Mr. Wright gave an update on the contract for service to Lake Conroe Village. There were questions about the billings to UD4 for use of UD3 transmission facilities and about the Capetown Lift Station. There was an extended discussion about the agreements for water and sewer services between UD3 and UD4, amounts owed by UD4, etc., also possible ways to structure the agreement with Quiddity Engineering (and related entities) for design phase engineering.

After further discussion, Mr. Tibbetts moved to authorize an amended version of the agreement with Quiddity Engineering (and related entities) for design phase engineering, to include a “pay when paid” clause for the share of each billed amount owed by UD4. The motion was seconded, and all voted in favor.

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 question about closing out the old account at PNC Bank. The President asked Mr. Haskins to work with the Treasurer to get the necessary close-out document from the bank and get it signed (per authorization at the July meeting). Mr. Haskins also mentioned that Central Bank was requiring a resolution to open a new account for the WWTP revenue bonds. There was a motion to adopt resolutions to: (i) authorize

the new account for the WWTP revenue bonds and (ii) authorize the signature card for that account, in the form previously signed (master signature card).

There were questions about some of the checks that had been prepared. After discussion, there was a motion to: (i) accept the bookkeeper report and approve and authorize the checks as prepared and presented, and (ii) approve the pay estimate submitted by Insituform Technologies LLC (\$15,125 gross less 10% retainage, leaving a net amount of \$13,612.50) and a check to pay the net amount due. The motion was seconded and adopted.

5. Taxes, etc. The tax assessor-collector's reports indicated that 97.76% of the TY2021 tax levy had been received by the end of July and 98.4% by the end of August. There was a discussion of the financial advisor's tax rate study for TY2022. The attorney explained the procedure required by state law for proposing a tax rate, calling a hearing, etc. There was a discussion about the District's status (developed vs. developing). The engineers indicated that the data submitted in a questionnaire signed in 2020 had not substantially changed, and the District was still less than 95% built out. The attorney presented a draft order entitled "ORDER AND RESOLUTION DESIGNATING OFFICER TO CALCULATE AND PUBLISH TAX RATES AND TAKE OTHER ACTIONS IN CONNECTION WITH THE LEVY OF A TAX; PROPOSING A TAX RATE; CALLING A HEARING, ETC.," including the tax rate recommended by the financial advisor (\$0.086 per \$100 for maintenance and operations and \$0.00 per \$100 for debt service) and specifying the September regular meeting date and time for the public hearing. There was a motion to adopt the order. The motion was seconded, and all voted in favor. The vote was as follows:

Voting in favor: Doris Hickman, Richard Tibbetts, Janis Boulware, Carolyn Smith, Judy Robert

Voting against: (none)

Absent/not voting: (none)

6. Engineering matters. Ms. Vu presented the engineer's report, and there was a discussion about several of the items. Regarding the draft violation letter addressed to GPW Two, LLC regarding a build out of shopping center space for a café. There was a brief discussion. There was a motion to amend Section "F" of the District's rate order to reduce the penalty amount from \$5,000 per day to \$1,000 per day, and impose it as both a civil penalty and a criminal penalty, provided that, in any proceeding to enforce such a criminal penalty for a violation (or alleged violation), it would be an affirmative defense that a civil penalty for the same violation had been imposed by the District and paid. All voted in favor. The Board indicated that a 30-day compliance period for the pending letter would be appropriate and asked that the letter be updated to reflect the provisions of the rate order, as amended. The attorney indicated that notice of the rules would be published, as required by the law.

7. Operations. Mr. Wright presented the operator's written report. Various operational matters were mentioned earlier in the meeting.

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. There was no action taken.

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

11. *Other*. Earlier in the meeting, there was a motion to designate each Board member, Mr. Haskins, and Mr. Wright to take the cybersecurity training required by law (assuming the law has not been rescinded). The motion was seconded, and all voted in favor. The attorney distributed certificates of completion and asked that the training be done (and the certificates completed and returned to him) before the end of the month.

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 September 19, 2022.

SIGNED: Davis 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*.

Joni C. Bullock, Secretary, Board of Directors



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

DOC# 22-1491

POSTED

08/10/2022 08:11AM

AIRN PREVITI

MARK TURNBULL, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

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 August 15, 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: 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) order calling joint consolidation election; and (vi) 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 (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: tax calculations, financial analysis, developed district status, proposed debt service and O&M tax rates, calendar, publication, notices, hearings, levy, rollback 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.
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; 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.

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 15 de agosto de 2022, a las 2:00 PM 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: orden que convoca a la elección de consolidación conjunta y asuntos relacionados.

Signed: *[Signature]*



Secretary, Montgomery County Utility District No. 3.

Date: 8/10/2022