

MINUTES OF MEETING OF BOARD OF DIRECTORS
November 21, 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 **November 21, 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 President reviewed 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.; Philip Wright of Hays Utility North Corporation; 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 meetings of October 10 and 17, 2022. There was a motion to approve them, as corrected. 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. Later in the meeting, there were reports, discussions, etc. about the joint WWTP.

4. Financial matters. Mr. Haskins presented written bookkeeper reports, one for the General Fund and another for the Regional WWTP account. He mentioned that Aqua Texas, Inc. had not paid two consecutive monthly billings. He reported that three District checks appeared to have been stolen from the mail and presented for payment. However, he said, the District’s bank did not pay them. He said he would have the “positive pay” feature applied to all of the District’s accounts, including the WWTP account. There was a question about a check that had been prepared, payable to TCEQ. Mr. Roznovsky explained it was for an annual assessment based on WWTP flow (and the effluent constituents that are tested). There was a motion to accept the bookkeeper’s report and approve and authorize the checks as prepared and presented.

The President reported on contacts with City of Conroe representatives about the City’s short payment of Capacity Reservation Fees. She said they advised that the full payment would be approved at the December 8 City Council meeting. Mr. Roznovsky and Mr. Wright explained that they had answered all the questions that City staff had raised about the proposed improvements at the WWTP.

5. Taxes, etc. The tax assessor-collector's reports indicated that 98.76% of TY 2021 taxes had been paid, and 2.31% of TY 2022 taxes had been paid.

6. Engineering matters. Ms. Vu presented the engineer's report. She gave updates on the TCEQ's review of the emergency preparedness plan and the District's contract to rehabilitate sanitary sewers and manholes. Mr. Roznovsky explained that ~~that~~ the contractor would be working on the manholes--which would not require bypass pumping--but there would have to be coordination with the operator for bypass pumping to support other work items. Regarding the inquiry from Aqua Texas Inc. about acquiring an easement across District property (along the west line of the WWTP site), Ms. Vu showed an aerial photo annotated to depict two pipeline routes from SH 105 to the Aqua plant. She said the difference in construction cost (alone) between the two routes was about \$223,000, with the route along the west line of the WWTP being less. Mr. Tibbetts asked about the time required for each of the two routes, and it appeared that the route along the west line would take less (perhaps by months). There were also questions about a possible interconnection between the two plants and other factors. After further discussion, the President asked Mr. Tibbetts to serve as the District's negotiator with Aqua.

Ms. Vu and Mr. Tibbetts reported on the TxDOT project on SH 105 and ASPOA's position on a proposed new development, also a proposed fence. Mr. Wright reported on a dispute in UD4 about a storm sewer in an area covered by a "flowage easement" around Lake Conroe. He said SJRA had sold off some such parcels in the past but had stopped doing so. He recommended that the engineers take a look at similar areas around the lake where the District might have facilities.

Later in the meeting, Director Boulware moved to confirm the prior authorizations for the president to sign documents for the WWTP project (the new agreement with UD4 and the Second Amendment with the Quiddity entities) also the prior authorizations to open the new capital account and issue the \$409,500 check for the District's estimated share of engineering, etc., all subject to receipt of the UD4 agreement signed by UD4 and the City of Conroe's full payment of Capacity Reservation Fees. Director Robert seconded, and all voted in favor.

7. Operations. Mr. Wright presented the operator's written report. He said there were some main breaks during the reporting period, and he confirmed that UD4's second well (a Jasper well) had come online. He said one of the VFD's (variable flow drives) in the control room at the WWTP had "tripped out," and the estimated replacement cost was \$13,500.

There were questions and a discussion about water pressure, also sand and minerals in some water lines and "pigging." Mr. Wright explained that the District's water supply had a high mineral content (and water from the Jasper aquifer had more minerals than water from the Catahoula aquifer).

Mr. Wright reported that some items billed for the joint water plant had been re-categorized, and credits had been issued. He said there was an electrical repair (about \$7,000) that was split 67/33 with UD4. There was a question about well oil, and Mr. Wright said the cost would be split correctly. The President asked about the Entergy billing for UD4's Water Well #2.

Mr. Wright showed a photo of the Waterpoint lift station (near the Starbucks store). It showed some wooden side fences that appeared to be in poor condition. Mr. Roznovsky recommended a chain link fence, at a minimum. Mr. Wright said he would get a bid and draft up a letter to the property owner about the property owner contributing to the cost.

Mr. Wright asked for authority to cease active collections of long-delinquent accounts that he had listed. There was a motion to authorize cessation of active collections. 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. Mr. Tibbetts reported that ASPOA was considering discussions with TxDOT about erecting a new fence along SH 105. He said TxDOT would require a "joint use agreement" to put the fence on TxDOT property, preferably with a governmental agency (like the City).

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

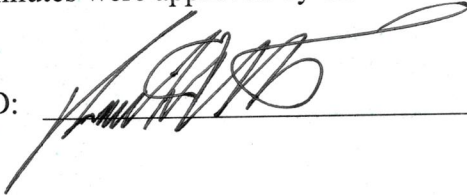
10. Executive sessions(s). There was no executive session.

11. Other. There was no action taken. The Secretary reported that the December meeting would be held on the 19th, starting at 10:30 AM, at the Pappadeaux restaurant (IH 45 location).

There was a motion to adjourn at about 4:35 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on December 19, 2022.

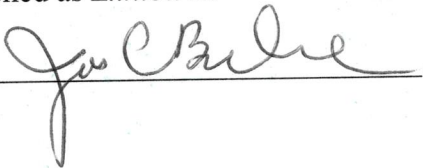
SIGNED:



Vice
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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*.



Secretary, Board of Directors



Exhibit A

DOC# 22-2217
POSTED
11/17/2022 08:33AM
GWENDALYNN CAMARENA
MARK TURNBULL, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

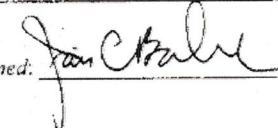
NOTICE OF MEETING
OF THE BOARD OF DIRECTORS OF
MONTGOMERY COUNTY UTILITY DISTRICT NO. 3

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 November 21, 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, consolidation, etc.4.
 - Financial matters.** Receive, discuss, consider and act upon: bookkeeper and investment reports; budgets and amendments (GF and WWTP); bills/payments (including Capacity Reservation Fee payable by City of Conroe and Aqua Texas, Inc.); transfers; depository matters (including agreements); audit (report, engagement of auditor); investments; proposed Unlimited Tax Bonds (offering, documents, sale, 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.); 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. **Operational matters.** 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: 11/16/2022

