

MINUTES OF MEETING OF THE BOARD OF DIRECTORS
May 15, 2023

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 **May 15, 2023**, 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, with the members of the Board being:

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, except Ms. Boulware and Mr. Tibbetts, thus constituting a quorum. Also present at the meeting place were Katherine Vu and Chris Roznovsky of Ward, Getz & Associates, PLLC (“WGA”); Steve Haskins of Protocol Bookkeeping, Inc.; Philip Wright of Hays Utility North Corporation; Mark Eyring, of Mark C. Eyring, CPA, PLLC; 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. There was a report that notice of the meeting had been posted at the times and places as required by law, in the form shown in *Exhibit A*, attached. The Board considered draft minutes for the meetings of April 17, 2023. There was a motion to approve them, as drafted. The motion was seconded, and all voted in favor.

2. Public comments. There were no public comments.

3. Neighborhood update. No representative of Montgomery County Utility District No. 4 (“UD4”) was present.

4. Financial matters. Mr. Eyring presented the draft annual financial report (audit) and described a “short” (or insufficient) payment the City of Conroe had made (and corrected, after it was brought to the City’s attention). Mr. Haskins mentioned some other transactions with the City, including the reversal of a refund. After discussion, Director Smith moved to approve and authorize: (i) the draft annual financial report (audit), (ii) a representation letter, using the form from the prior year, and (iii) engagement of the Eyring firm for the second year of the two-year engagement approved in 2022. The motion was seconded, and all voted in favor (3-0).

Haskins presented two written bookkeeper reports, one for the General Fund and another for the Regional WWTP account. He explained the circumstances surrounding a returned check issued to Texas Mutual Insurance Company, including the electronic transfer that was made to replace the check. He also explained the procedure for making payments to Quiddity Engineering for WWTP design-phase services. He said the budget performance of the WWTP account (revenues vs. expenses) looked pretty good, and he mentioned the upcoming true-up of the amount paid (in 2022) by the City of Conroe as capacity reservations fees.

The President mentioned the possibility that the Bailey firm would request an increase in its fees in June. She said the contract needed to be amended to make it easier to change the dates for pick-ups.

After the presentation and discussions, there was a motion to accept the bookkeeper's report and to approve and authorize the checks as prepared and presented. The motion was seconded, and all voted in favor (3-0).

5. Taxes, etc. The tax assessor-collector's reports indicated that 95.46 % of TY 2022 taxes had been collected. Mr. Dougherty presented pages from the Tax A-C's "truth in taxation" package for 2023, and there was a discussion about the upcoming tax levy, taking into account increases in debt service for the new bond issue. After discussion, there was a motion to refer the matter to the District's financial advisor for recommendation on possible tax rates to propose. The motion was seconded, and all voted in favor (3-0).

6. Engineering matters. Ms. Vu presented the engineer's report. She said the sewer repair contractor had not yet submitted the video from the most recent repairs. She showed photos of drainage conditions behind 116 April Wind North. It appeared that a back-up was caused by a cart path and a mound on golf course property, and the swale on District property was not contributing to the problem. It also appeared that changes to the resident's property (pool deck, french drain, driveway) may have caused the problem, at least as to water near the entrance to the garage. She mentioned that Aqua Texas, Inc. was looking at alternatives to acquiring an easement across UD3 property, and that it was reported to be in the Aqua attorney's hands.

Ms. Vu presented a cost analysis of the CFG request for additional payment to recoat the floors of the water tanks. She said: (i) the price appeared to be fair on a per-square-foot basis, (ii) it did not appear to be price gouging, and (iii) after including the amount of the change order, the CFG price would still be lower than the next low bid. After discussion, there was a motion to approve the proposed Change Order No. 1 including the amount of \$56,000 for recoating the floors and an extension of time, all subject to approval by UD4. The motion was seconded and adopted (3-0). The President asked Ms. Vu to send a letter and consult with engineers for UD4.

Ms. Vu gave an update on the design-phase engineering for the WWTP improvements, including the timing of the invoices and checks for payment.

7. Operations. Mr. Wright presented the operator's written report. He mentioned the level of flows through the WWTP. He presented a list of accounts with delinquencies left by customers who had moved. He said the amounts shown were the residual amounts owed after applying deposits, and it was not cost-effective to continue trying to collect them. After discussion, there was a motion to authorize the operator to cease active collection efforts on the listed accounts. The motion was seconded, and all voted in favor (3-0).

Mr. Wright presented a draft of the TCEQ-required water quality report (CCR) for 2022, and he explained some of the updates that were in progress. He also explained the electronic distribution process. After discussion, there was a motion to approve: (i) the report, subject to review by the attorney and updates, and (ii) electronic distribution as allowed by TCEQ. The motion was seconded, and all voted in favor (3-0).

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. There was no action taken.

There was a motion to adjourn at about 3:32 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on June 19, 2023.

SIGNED: Davis 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*.

Jan E. Baker, Secretary, Board of Directors

(SEAL)



DOC# 23-0697
POSTED
05/04/2023 08:22AM
AIRN PREVITI
L. BRANDON STEINMANN, COUNTY CLERK
MONTGOMERY COUNTY, TEXAS

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

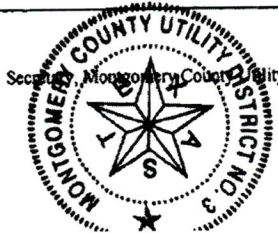
In accordance with chapter 551, Texas Government Code and Section 49.063, Texas Water Code, both as amended, take notice that the Board of Directors (Board) of Montgomery County Utility District No. 3 (District) will meet in regular session open to the public, at 2:00 PM on May 15, 2023 at the offices 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 (also payment by Aqua Texas, Inc.); transfers; depository matters (including agreements); audit (report, engagement of auditor); investments and investment policies; proposed Unlimited Tax Bonds (offering, documents, sale, TCEQ, proceeds, bank accounts, collateral, 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, permits, easements, etc.; 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, City of Conroe, etc.); UD3-UD4 joint system matters, including water and sewer facilities and contracts, WWTP and other jointly-used facilities, payments, wholesale rates, amendments, negotiations, shared costs, legal advice, adjudication; 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 (including easement requested by Aqua Texas, Inc. on WWTP site); (vi) engineering services procurement, agreements, etc.; and (vii) related matters; also bid and contract of CFG Industries LLC for recoating work, etc.
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 plans, facilities, engineering, construction, 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; mandatory trainings; cyber-security; meetings; public records; solid waste (including contracts); publication of rules, regulations, penalties, etc.; tax suit, Milam County (Lang); 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: [Signature]



Secretary, Montgomery County Utility District No. 3.

Date: May 4, 2023