

# MINUTES OF MEETING OF THE BOARD OF DIRECTORS

August 21, 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 **August 21, 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, thus constituting a quorum. Also present at the meeting place were Katherine Vu and Chris Roznovsky of Ward, Getz & Associates, PLLC (“WGA”); Philip Wright of Hays Utility North Corporation; Steve Haskins of Protocol Bookkeeping, Inc.; James Dougherty, special counsel for the District; and Tiffany Loggins of L&S District Services, LLC. The meeting was called to order, 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 at the times and places as required by law, in the form shown in *Exhibit A*, attached. The Board considered draft minutes for the meeting of July 17, 2023. 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.** No representative of Montgomery County Utility District No. 4 (“UD4”) was present.

**4. Financial matters.** Mr. Haskins presented two written bookkeeper reports, one for the General Fund and another for the WWTP funds. There was a question about a payment from the Hearst Company. Mr. Haskins reported that it was coded as “reimbursement.”

Mr. Haskins reviewed the General Fund’s budget performance and said the District was \$1,034,000 “better than budget,” to date, probably because some big maintenance and repair expenses had not yet come in. He described amounts in the “sweep” accounts (Central Bank). There was a question and discussion about increasing the District’s investment level in TexPool and IRS requirements for disgorging excessive earnings (or penalties). After the discussion, there was a consensus that the TexPool investment level should be increased, especially from the Capital Projects Fund. (Later in the meeting, it was pointed out that the decision to make the actual investment would be for the Investment Officer.)

There was a question about some invoiced items from Quiddity Engineering LLC for “consultation.” Ms. Vu said they totaled about \$3,000 year to date, and there was a discussion about them. It appeared they were fees for preparing monthly tracking reports for Quiddity’s services and for reporting on operational matters. Ms. Vu said she would continue working with Mr. Abshire regarding them.

There was a discussion about the pending update of the WWTP budget. Mr. Haskins said he would circulate drafts of both budgets (General Fund and WWTP) and invite City of Conroe staff (including both Public Works and Finance Departments) to attend the WWTP operating committee meeting set for the following Monday (August 28). There were questions and discussions about the City of Conroe's position on its share of the WWTP improvement project.

There was a motion to accept the bookkeeper's report and to approve and authorize the checks as prepared and presented, except the check to Quiddity Engineering. The motion was seconded, and all voted in favor.

Later in the meeting, there was a discussion about the resignation of the District's bookkeeper and the firms that had submitted their qualifications and expressed interest in the two bookkeeping contracts. The Secretary reported on the negotiations with the firm that the Board had previously determined to be the most qualified for the two contracts (L&S District Services LLC) and introduced the firm's representative, Tiffany Loggins. There was a discussion of the proposed contracts and the services to be provided, including services related to the District's investments and the role of the Investment Officer. After the discussion, there was a motion to approve and authorize the two proposed agreements with L&S District Services LLC (one for the General Funds and the other for the WWTP funds). The motion was seconded and adopted by unanimous vote. There was also a motion to adopt a revised "master resolution" including authorizations for the new bookkeepers to transfer funds between accounts in the name of the District. The motion was also seconded and adopted by unanimous vote.

**5. Taxes, etc.** The tax assessor-collector's reports indicated that 98.04% of TY 2022 taxes had been collected. Later in the meeting, the Board considered Mr. Howell's report and recommendation for a proposed tax rate for TY 2023. Mr. Dougherty explained the tax levy process and the notice requirements. He recommended that the Board slightly reduce the recommended rate (from \$0.083 to \$0.082) to leave a margin for error. He said that Mr. Howell had concurred with that approach. After discussion, Director Tibbetts pointed out the proposed rate was lower than the prior year's rate, and he made a motion to adopt the "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.," which would propose a total tax rate of \$0.082 and call a public hearing for September 18, 2023. Ms. Boulware seconded the motion, and, when the question was called, the vote on the motion was:

Voting Aye: Directors Hickman, Tibbetts, Boulware, Smith, and Robert

Voting Nay: (none)

Absent/not voting: (none).

The motion, carrying with it the adoption of the order and resolution, was therefore adopted unanimously.

**6. Engineering matters.** Ms. Vu presented the engineer's report. She mentioned that Insituform Technologies LLC, the contractor for the sewer rehabilitation project, had encountered groundwater and had to start immediate "well pointing" (pumping). She presented a proposed change order to cover that work for \$17,156.46. There was an update about a proposed letter to the golf course owner about controlling stormwater originating on the golf course property east of Summers Wind. There was a motion to authorize sending such a letter, with a request for investigation and remedial action. There was a report that Aqua Texas, Inc. may have made a deal to use Pope-controlled land for access to its wastewater treatment plant.

After further discussion, there was a motion to accept the engineer's report and authorize the recommended change order for the Insituform contract. The motion was seconded and adopted.



**7. Operations.** Mr. Wright presented the operator's written report. He mentioned the quantity of effluent from the WWTP and the sewage delivered from Lake Conroe Village (Aqua Texas, Inc.). He mentioned water pumpage and the effect of the record-setting heat (and lack of rain). He described a failure of the air conditioning unit for the motor control room at the water plant. He said the unit had to be replaced and upgraded, and the total cost was over \$8,000. There was further discussion about the effects of the heat (also cooling towers).

There was a discussion about sending a letter to Aqua Texas, Inc. The consensus was to hold off on sending the letter, pending receipt of more data, but to make sure that the billings to Aqua included all items required by the contract (including applicable late fees and PPI-based increases). In response to a question, Mr. Wright said he would arrange to post a sign (previously discussed) on the lot owned by the District on April Wind North.

There was a motion to accept the operator's report. 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.** There was no action taken. There was an update about the agreement with Bailey Bros. for solid waste collection and the proposed rate increase. After discussion, there was a motion to: (i) approve and authorize the draft "amended and restated agreement" with the proposed rate increase (to \$19 to \$20 per unit per month), subject to receiving a compliant certificate of insurance, and (ii) to authorize the President to set the effective date to match the effective date of an agreement with UD4 to implement the same rate. The motion was seconded, and all voted in favor.

There was a question about new legislation regarding fees of office for water district directors. After discussion, there was a motion to adopt a measure entitled "RESOLUTION ADOPTING AND AMENDING CODE OF ETHICS, FEES AND EXPENSE POLICY, INVESTMENT POLICY, POLICIES AND PROCEDURES FOR SELECTION AND REVIEW OF CONSULTANTS, POLICIES CONCERNING THE USE OF MANAGEMENT INFORMATION AND AUDIT COMMITTEE, APPOINTING INVESTMENT OFFICER, AND PROVIDING FOR CERTAIN OTHER MATTERS, with a change that would set the "per diem" fees of office the per diem rate set from time to time by the Texas Ethics Commission for members of the Legislature under Section 24a, Article III, Texas Constitution, as allowed by the new legislation. The motion was seconded and adopted.

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

**11. Other.** There was no action taken.

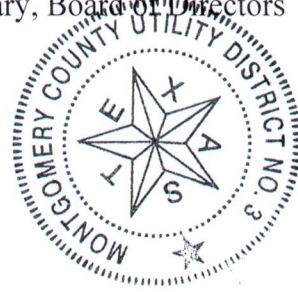
There was a motion to adjourn at about 5:35 PM. The motion was seconded and adopted.

These minutes were approved by the Board of Directors on September 18, 2023.

SIGNED: Garis 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*.

Jo Bula, Secretary, Board of Directors (SEAL)





DOC# 23-1396  
POSTED  
08/16/2023 02:31PM  
Maroena Durrenberger  
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 August 21, 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:

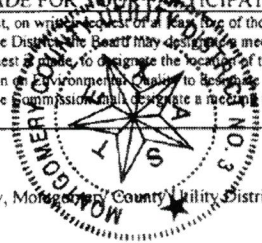
1. **Notices, Minutes, Directors, Officers.** Notices; minutes of current and prior meetings; etc.
2. **Public comments.**
3. **Neighborhood matters,** including rain events and high water (also possible drainage projects), Montgomery County Utility District No. 4 (UD4), projects, facilities, consolidation, 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; Series 2023 Unlimited Tax Bonds (TCEQ, proceeds, bank accounts, collateral, etc.); resignation of bookkeeper (Protocol Bookkeeping, Inc.), selection of new bookkeeping firm and agreement(s) for same; and related matters.
5. **Taxes, etc.** Receive, discuss and act upon Tax A/C report, tax data, exemptions, tax rates, penalties, collections and related matters, including recommendation from financial advisor, debt service, calculated tax rates, proposed tax rates, hearing, notice, etc.
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 golf course, 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.); (iv) 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.; (v) Lone Star Groundwater Conservation District and San Jacinto River Authority issues and rules, regulations, contracts, permits, credits, authorizations, transfers, transactions, plans, etc.; (vi) easements, rights of way, other facilities and other projects (including easement requested by Aqua Texas, Inc. on WWTP site); (vii) engineering services procurement, agreements, etc.; and (viii) related matters, including bids, contracts, 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, water service for the April Sound golf course, 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--including director fees of office or "per diem" rate--and legislatively-authorized increase in fees of office, arbitrage, consultants, solid waste; meeting places, offices, records, etc.); insurance; investments; mandatory trainings; cyber-security; meetings; public records; solid waste (including Bailey Bros. contract, amendment, rates, insurance, claims, damages, etc.); sale of District property; 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 a majority 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: Aug 16, 2023