

MINUTES OF MEETING OF THE BOARD OF DIRECTORS

April 21, 2025

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 **April 21, 2025, 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 (term expired)
Judy Robert, Assistant Secretary;

and all members of the Board were present, except Carolyn H. Smith, thus constituting a quorum. Also present were Luke Broseman and Katherine Vu of Ward, Getz & Associates, PLLC ("WGA"); Philip Wright of Hays Utility North Corporation; Tiffany Carden of L&S District Services, LLC; Matt Corley, a resident of the District; Richard Gilchrist, a resident of the District; and James Dougherty, special counsel. (Mr. Mark Eyring, of Mark C. Eyring, CPA, PLLC, arrived at about 2:25 PM.) After the meeting was called to order, the following business was transacted, in accordance with the notice attached as *Exhibit A*:

1. Notices, Minutes, Etc. The Secretary reported that the notice of the meeting shown in *Exhibit A*, attached, had been posted at the times and places as required by law. The Board considered draft minutes for the meeting held March 17, 2025, as amended. There was a motion to approve them. The motion was seconded, and all voted in favor.

1a. Officers, Etc. Mr. Dougherty reported on the authority of the Board to appoint a Director to fill the vacant position, also the state law qualifications and disqualifications for Directors. Mr. Corely introduced himself and explained that he was interested in being appointed to fill the vacancy. He said he had been a financial consultant with 13 years of experience at SJRA and currently held a position with a local church. Mr. Gilchrist introduced himself and said he was interested in being appointed to fill the vacancy. He explained that he had served nine years on the board of a special utility district (or "SUD") and that he was a retired homebuilder with experience doing inspections. He said he also had experience doing plan reviews as a member of the April Sound ACC. There were questions and a general discussion. The Board invited the applicants to stay for the remainder of the meeting.

2. Public comments. There were no public comments.

3. Neighborhood update. There was no representative of Montgomery County Utility District No. 4 ("UD4") present.

4. Financial matters. Ms. Carden presented the bookkeeper's written report and reviewed it with the Board. She explained that the balance shown in the District's main bank account was larger than usual because there are some large payments expected to be made from that account. She reviewed other balances and interest earnings. She explained the "true up" of the City of Conroe's share of WWTP Expenses compared to the amount deposited for 2024, and she reported that the City was due a refund of \$1,801,308 as a result of the "true up."

The President recognized Mr. Eyring, who presented the results of his audit for FY 2024. He mentioned that the "drainage" payments from the City of Conroe for three years in a row had been computed on the wrong taxable valuations and were therefore short by approximately \$52,000 (aggregate, over three years). After discussion there was a motion to authorize the bookkeeper and attorney to prepare an invoice to the City, to include all three years (also the payment due in 2025), with interest at the rate prescribed by the "prompt

payment” law. There were questions and discussion about the two appendices to the annual budget, one showing sources and uses for capital costs during 2025 and the other showing sources and uses for debt service during 2025. Mr. Eyring explained that the District’s annual financial reports were only required to report on the General Fund budget, but there was no problem including additional budgets for other funds if they are useful to the Board for management purposes.

After further discussion, there was also a motion to approve and authorize the “rep letter” to the auditors for the FY 2024 annual financial report (audit). The motion was seconded and adopted. There was also a motion to approve the annual financial report (audit) for FY 2024 as presented. The motion was seconded and adopted. Finally, there was a motion to approve a new engagement letter with the auditor, which included the “old” rate for the work on the FY 2024 audit (done in 2025) and the “new” rate for the work on the FY 2025 audit (to be done in 2026). The motion was seconded and adopted.

There was a motion to accept the bookkeeper’s report and approve the checks that had been prepared for payment (including two which were handwritten to pay auditing fees for the FY 2024 audit work at the “old” rate, in place of the two prepared at the “new” rate). The motion was seconded and adopted.

5. Taxes, etc. The tax assessor-collector report (included in the bookkeeper’s report) indicated that 93.91% of FY 2024 taxes had been collected as of the end of the preceding month.

6. Engineering matters. Ms. Vu presented the engineer’s report and reviewed the projects and items listed. She mentioned that Aqua Texas Inc. had not actually acquired the easement that would be necessary to divert the sewage from Lake Conroe Village to the Aqua sewage treatment plant (located immediately south of the UD3-UD4 WWTP). Apparently, there was some delay in the negotiations, but it was not known if the problems were in the amount of payment or the terms of the easement itself. There was an extended discussion, after which there was a motion to authorize the President or Vice President to send a letter to Aqua to: (1) express the District’s concern about non-compliance, (2) express concern about the delay in getting the work on the diversion facilities started, (3) offer to grant Aqua an easement for the facilities along the west property line of the WWTP for \$40,000, (4) give notice of termination with nine months’ notice and (5) give notice of a proposed rate increase. The motion was seconded and adopted (all voting in favor).

Ms. Vu gave an update on the proposed relocation of a sanitary sewer line on the edge of the golf course, which required a small easement to be granted by the owner of the golf course. The Board asked that the owner be re-advised about the purpose was to save a significant tree.

Ms. Vu described the plans and specifications received from Bleyl Engineering for the lift station replacement project, and Mr. Dougherty presented an issue list for the necessary contracts. There was an extended discussion, after which there was a motion to approve advertisement for bids using the proposed construction documents, subject to approval by UD4, with the SPECIFICATIONS being a cut-down version of the document prepared by Quiddity Engineering (and with an overriding provision allowing 45 days to pay monthly estimates). There was a motion to authorize the President or Vice President to approve and execute an agreement with UD4 like the design phase agreement, as modified, but without wording that would inhibit timely payments to the contractor (and with coverage for engineering and other services). The motion was seconded and adopted.

Ms. Vu reported on the annual inspection for Water Plant No. 1. She mentioned that the dark stains shown in the photo were just deposits on the surface, not an indication of a coating failure.

Ms. Vu presented a feasibility study for the Waterpoint Phase III development and pointed out that the developer had not yet paid the application fee, so consideration could be tabled until the following month. She said she was working with John Bleyl on a question related to the TCEQ’s waiver of certain pressure maintenance requirements (for elevated storage, etc.).

7. Operations. Mr. Wright presented the operator’s written report and reviewed it, briefly, with the Board. He also distributed a draft CCR and asked that it be considered for approval at the May meeting. He gave an update on “pigging” operations, including a report about the need to replace a 1960s-vintage fire hydrant. There was a question about pressure maintenance in an area near the golf course, which was in a different pressure plane from the areas in UD4.

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.

The meeting adjourned at approximately 5:50 PM.

These minutes were approved by the Board of Directors on May 19, 2025.

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*.

[Signature], Secretary, Board of Directors (SEAL)



DOC# 25-0696

POSTED

04/15/2025 11:05AM

Hannah Hubbard

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 April 21, 2025** at the offices of Hays Utility North Corporation (the District's utility operator) at 375 Lake Meadows Dr., Montgomery, Texas 77356, in Montgomery County, Texas. The subject of the meeting includes these items:

1. **Notices, Minutes.** Notices; minutes of current and prior meetings, including amended minutes; related matters.
- 1a. **Appointments, etc.** Appointment of Director to fill vacancy; qualification, written statement, oath, bond, etc.; election/appointment of officers; etc.
2. **Public comments.**
3. **Neighborhood matters,** including: rain events, high water, and drainage; Montgomery County Utility District No. 4 (UD4); projects, facilities, easements, consolidation, services, etc. (including WWTP, water, sewer, solid waste); April Sound POA, claims relating to waterline transmission project (Faith Utilities), 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, backups, audit engagement, etc.); investments; Series 2023 Unlimited Tax Bonds proceeds, etc.; 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.
6. **Engineering matters.** Receive, discuss, consider and act upon reports, studies, facilities, and projects, also: (i) wastewater system, including wastewater treatment plant (WWTP), improvements, lift station, site, permits, easements, etc.; collection system and flow reduction; operations committee issues; engineering; other professional services; construction and rehabilitation projects; capacity and permit increases; repairs; shared costs; agreements (including agreements with Aqua Texas, Inc., UD4, City of Conroe, etc.); enforcement; temporary and wholesale services; fees and contract payments; 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; (iv) UD3-UD4 joint system matters, including water and sewer facilities and contracts, WWTP and other jointly-used facilities, ownership, title, payments, wholesale rates, amendments, negotiations, measuring equipment, 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 waterline and sewer rehabilitation); (vii) engineering services agreements, etc.; and (viii) related matters, including bids, contracts, etc.
7. **Operational matters.** Receive, discuss and act upon operation report, also: customer matters; repairs; maintenance; drainage; other projects; claims; easements; encroachments; water audits/conservation; drought; utility services; golf course; policies; rates; charges (including increases); rate order; consumer confidence report; PFAS class action litigation; 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 matters (WWTP, strategic partnership agreements, payments, breach, remedies, etc., also annexation, services, building/plumbing codes, plans, permits, inspections, polling places, 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, 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; elections; appointment of Director to fill vacancy; etc.
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 item listed above includes discussion, consideration, action, etc. (2) Items 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 or after April 1, 2025, 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 a 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: 4/15/2025