

MINUTES OF MEETING OF THE BOARD OF DIRECTORS

August 18, 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 **August 18, 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
Matthew Corley, Treasurer
Judy Robert, Assistant Secretary;

and all members of the Board were present, except Janis Boulware, thus constituting a quorum. Also attending the meeting were Luke Broseman and Katherine Vu of Ward, Getz & Associates, LLC ("WGA"); Philip Wright of Hays Utility North Corporation; Loren Clark of L&S District Services, LLC; James Dougherty, special counsel to the District; and John Howell, financial advisor for the District (who arrived shortly after the meeting was called to order). 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 Board heard that there was a report from the Secretary 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 meetings July 17 and August 4, 2025, as amended. There was a motion to approve them, which was seconded and adopted.

2. Public comments. There were no public comments.

3. Neighborhood update. There was no representative of Montgomery County Utility District No. 4 ("UD4") present. The President gave a brief report on the request of the property owner at 112 April Wind North to put trees (and possibly pots) within a utility easement (or on the District's adjacent lot at 114 April Wind North). She noted that the trees had been removed. Mr. Wright and Mr. Dougherty gave a brief update on the "no parking" and "no trespassing" sign. Later in the meeting, there was an inquiry and brief discussion about a proposed fence across a drainage way near SH 105. See "Engineering matters," below.

4. Financial matters. Early in the meeting, Mr. Howell presented a tax rate study and reviewed it with the Board. There was a general discussion of revenues and funds necessary to pay debt service. He explained that the recommended tax rate was \$14.51 per \$100, but there could be a lower rate (say, \$12.62 per \$100) if the difference in revenues were made up from an increase in water and sewer user fees. However, it appeared that a larger water and sewer rate increase would be necessary to replace revenues that could be lost in 2026, upon termination of the Aqua Texas Inc. contract. After discussion, there was a motion to adopt a written measure 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." to make findings (including development status), propose a tax rate of \$14.51 per \$100 (including \$0.0600 for debt service and \$0.0851 for maintenance and operations), call a hearing, authorize publication of notice, etc. The motion was seconded and, when the question was called, the motion (carrying with it the adoption of the order and resolution) was adopted by the following vote:

Voting Aye: Doris Hickman, Richard Tibbetts, Judy Robert, Matthew Corley

Voting Nay: (none)

Absent/not voting: Janis Boulware

There was also a motion to authorize transfer of \$300,000 from the general fund to the debt service fund (with another \$200,000 to be budgeted as a transfer to the debt service fund in the 2026 GF budget). The motion was seconded and adopted. There was also a motion to request the engineers to review existing water and sewer rates and prepare alternative rate structures that could cover cost increases and loss of revenues (at estimated combined levels of \$250,000 and \$300,000).

Ms. Clark presented the bookkeeper's written report and reviewed it with the Board. Following discussion, there was a motion to approve and authorize the checks that had been prepared for payments. The motion was seconded and adopted.

5. Taxes, etc. The tax assessor-collector's report (included in the bookkeeper's report) indicated that 98.28% of FY 2024 taxes had been collected as of the end of the preceding month.

6. Engineering matters.

Ms. Vu presented the engineering report and reviewed it with the Board. She gave an update on the waterline transmission project, including remedial work to address settling in the esplanade area. She also gave an update on the draft contract with Aqua Texas, Inc. and details for the wider easement along the west line of the WWTP site that Aqua had requested. There was a question about what additional consideration would be appropriate if the purpose of the easement were expanded in the future, but it appeared to be impossible to estimate without knowing exactly what facilities might be added if the purposes were expanded.

Ms. Vu reported that the plans and specifications for the Admin and Dawn's Edge lift station projects would soon be ready to be advertised, and there was a discussion about when to start the advertisement. Ms. Vu recommended going ahead with the advertisement. She said it would give the Board good information on current pricing, and if the prices were too high, the Board could reject all bids and readvertise later. Mr. Tibbetts made a motion to authorize the advertisement. The motion was seconded and adopted.

Ms. Vu gave an update on the WWTP Lift Station award and the contract documents. There was a question about the funds that TCEQ had previously approved for other WWTP improvements. Ms. Vu explained that changing the use of those funds would require a showing, to TCEQ, that they would never be needed for the originally-approved purpose.

Ms. Vu gave an update on the "Alternative Capacity Request" ("ACR") that was pending at TCEQ. She said that UD4 had updated the water model done for the original ACR, and it indicated that UD4 should add a hydro-pneumatic tank at the UD4 water plant to maintain the previous number of connections. She also reviewed WWTP flow data (which included Aqua Texas pumpage data), and she showed a tabulation of available funds.

There was an inquiry about a fence that the ASPOA was proposing to build along SH 105, near the south end of Summers Wind. It appeared to be proposed to be built in an easement area granted by the City of Conroe. After discussion, there was motion to authorize a letter to the POA to offer the opportunity to coordinate the plans for the fence with the District's engineer and operator. The motion was seconded and adopted.

The Board reviewed a drawing the engineers had prepared to show the water, sewer, and drainage facilities (including the Admin Lift Station) located on the clubhouse site, which had apparently never been platted. The exhibit would be used for a letter to the club owner about continued use of those facilities.

7. Operations. Mr. Wright presented the operator's written report and reviewed it with the Board. He mentioned WWTP flows. There was a request to get an update on the recalibration of the effluent meter (and to correct any reports to TCEQ as necessary).

Mr. Wright mentioned an emergency repair costing about \$25,000, and he noted that the big filters at the WWTP had been replaced. He said the Catahoula well motor was successfully rehabilitated--it did not need to be replaced--but there was a charge for a rental motor (about \$8,000 for about 30 days). Mr. Wright also mentioned that the operator's costs, including personnel costs, were increasing, and it would be necessary to propose an increase in rates and charges under the operator's contract.

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.

There was a question about suspected theft of water at a house that had recently changed hands.

8. Intergovernmental matters. There was no action taken.

9. District policies, etc. There was a motion to set the December regular meeting for December 15, 2025, 10:00 AM, at the Pappadeaux restaurant on IH 45.

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

11. Other. There was no action taken.

The meeting adjourned at approximately 5:25 PM.

These minutes were approved by the Board of Directors on 9-15, 2025

SIGNED: Dennis Hickman, President, Board of Directors

ATTESTATION & CERTIFICATION: By signing below, the undersigned 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*.

Judy
Assistant Secretary, Board of Directors (SEAL)