

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting January 23, 2017

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular at the Board's regular meeting place on January 23, 2017, in accordance with the duly posted Notice of Public Meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

Ron Welch, President
Cyndal Porter, Vice President
Derrell Witt, Secretary
Robert L. White, Assistant Secretary
Frank Anzalotti, Assistant Secretary

and all of said persons were present, except for Director White, thus constituting a quorum.

Also present were Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Cathy Wheeler of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton and Chase Eastland of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"); Cathleen Falke of Environmental Development Partners, LLC ("EDP"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Mike Baker of Katy ABC Properties ("Katy ABC"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Brad Seaback of Seaback Maintenance, Inc. ("Seaback"); Don Dulin of DonDulin.com, LP; Daniel Lewis of DooWooWoo, LLC; and Abraham Rubinsky and Rachel Hollywood of Schwartz, Page & Harding, L.L.P. ("SPH").

The President called the meeting to order and declared same open for business as might properly come before it.

APPROVAL OF MINUTES

The Board considered approval of the minutes of its Board of Directors meetings held on August 22, 2016, September 29, 2016, October 24, 2016, November 28, 2016, and December 19, 2016. Following discussion, Director Porter moved that the minutes of the August 22, 2016, September 29, 2016, and October 24, 2016 Board meetings be approved as written. Director Anzalotti seconded said motion, which carried unanimously. The Board deferred approval of the minutes of the Board of Directors meetings held on November 28, 2016, and December 19, 2016, until its next meeting.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Wheeler presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of December 31, 2016, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Wheeler also presented a Delinquent Tax Roll as of December 31, 2016, a copy of which is included in the Tax Assessor-

Collector's Report. After discussion, Director Anzalotti moved that the Tax Assessor-Collector's Report be approved as presented, and that the disbursements identified in said Report from the District's Tax Account be authorized. Director Witt seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Rubinsky presented and reviewed the Delinquent Tax Report prepared by the District's Delinquent Tax Collections Attorney, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), dated January 23, 2017, a copy of which is attached hereto as **Exhibit B.** Director Welch queried Ms. Wheeler about the status of the delinquent 2013 account in the name of Alan J. Atkinson and requested that she provide an update on such delinquent account at the next meeting, to which Ms. Wheeler concurred. The Board concurred that no action was necessary on its part at this time.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, which Resolution is attached hereto as **Exhibit C.** Mr. Rubinsky advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Welch, seconded by Director Witt and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board, and that Perdue be authorized to proceed with the collection of the District's 2016 delinquent personal property accounts following proper notice as provided in said Resolution, including the filing of lawsuits, as necessary.

2017 TAX EXEMPTIONS

Mr. Rubinsky outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for tax year 2017, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during tax year 2017, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. The Board discussed various issues and requested that Ms. Shelton provide a list of the number of people that would qualify for tax exemptions within the District based on the qualifications aforementioned. The Board then concurred to defer consideration of the Resolution Concerning Exemptions from Taxation until its next meeting.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated January 23, 2017, a copy of which is attached hereto as **Exhibit D**, including the checks presented for payment from the District's various accounts. Ms. Crigger noted that check no. 5381 on the General Operating Fund, would be voided. After discussion, Director Welch moved that the Board approve the Bookkeeper's Report, including the checks presented for payment, except for check no. 5381 on the General Operating Fund, which was voided. Director Porter seconded said motion, which unanimously carried.

LIST OF QUALIFIED BROKERS

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit E**. Mr. Rubinsky further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Witt moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the President and Secretary be authorized to execute same. Director Anzalotti seconded said motion, which unanimously carried.

SALES TAX MONITORING SERVICE

The Board next considered the Sales Tax Reports and the Developer Reconciliation Report relative to Katy Ranch Crossing prepared by STA in connection with monitoring of sales tax collections within the District by the City of Houston pursuant to the Strategic Partnership Agreement with the District. In connection therewith, Mr. Fletcher presented and reviewed with the Board a SPA STAR Report for the Fourth Quarter - 2016, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary related to Katy Ranch, copies of which are attached hereto as **Exhibit F**. Following review of said reports, Mr. Fletcher recommended the payment of \$41,049.68 to Katy ABC in accordance with the terms of the Development Agreement between the District and Katy ABC. The Board next queried Mr. Baker as to whether he was in agreement with the proposed payment, to which Mr. Baker agreed. After discussion, Director Porter moved that the Sales Tax Report for the Fourth Quarter - 2016 and development payment of \$41,049.68 to Katy ABC be approved, as recommended by STA. Director Anzalotti seconded said motion, which carried unanimously.

Ms. Crigger, Ms. Wheeler, and Mr. Fletcher exited the meeting at this time.

DISTRICT WEBSITE PROPOSALS

The Board next recognized Mr. Lewis, who presented to and reviewed with the Board a brochure titled "Solutions for Citizen Engagement - Open Government Websites" prepared by DooWooWoo, LLC ("DooWooWoo"), a website design company, a copy of which is attached hereto as **Exhibit G**. Mr. Lewis the discussed his company's experience and qualifications

The Board then recognized Mr. Dulin, who presented and reviewed with the Board a proposal for website development, maintenance and operation, including a proposal for an email and text notification system, both of which were prepared by DonDulin.com, LP. ("DonDulin"), a water district website design company. Copies of said proposals are attached hereto as **Exhibit H**. Mr. Dublin also discussed his company's experience and qualifications. After discussion, the Board deferred further consideration of the website proposals from DooWooWoo and DonDulin, and concurred to continue its consideration of said proposals and the development of a District website at the next meeting.

Mr. Dulin exited the meeting at this time.

OPERATOR'S REPORT

The Board next considered the Operator's Report. In connection therewith, Ms. Falke presented to and reviewed with the Board the Operator's Report dated January 23, 2017, a copy of which is attached hereto as **Exhibit I**. Ms. Falke discussed various matters contained in the Report and presented and reviewed the Utility Billing Summary, Utility Billing Detail Report, Connection Count, Water Quality Monitoring Report, Water Production Report, Commercial Consumption Report, Monthly Operating Report, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and the Delinquent Accounts Report, set forth therein.

Ms. Falke noted that there were seventy-one (71) customer accounts listed on the Delinquent Accounts Report this month, and that no customer appeals had been received.

Ms. Falke next requested the Board's authorization to write off the fourteen (4) delinquent accounts listed in her report, and to forward said accounts to PenCredit for further collection action on behalf of the District. After discussion, Director Welch moved that EDP be authorized to forward the subject delinquent accounts listed to collections. Director Anzalotti seconded said motion, which carried unanimously.

AMENDMENT OF THE DISTRICT'S RATE ORDER

The Board next considered amendment of the District's Rate Order. Ms. Falke advised that EDP is requesting the Rate Order be revised to remove references to cash payments of customer water and sewer bills and to allow customers to pay delinquent bills by use of the alternative payment options allowed by the District. Following further discussion, it was moved by Director Witt, seconded by Director Anzalotti and unanimously carried that the District's Rate Order be amended to remove all references to cash payments of customer water and sewer bills and to allow customers to pay delinquent bills by use of the alternative payment options allowed

by the District, and that any and all rate orders theretofore adopted by the Board be revoked and that the amended Rate Order, a copy of which is attached hereto as **Exhibit J**, be passed and adopted as of this date, to be effective as of January 23, 2017.

CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing EDP to provide certain required information to districts that received water through an emergency interconnect with the District during calendar year 2016 in connection with the 2017 Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2017, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during 2016. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Porter and unanimously carried that EDP be authorized to provide the required information as set forth hereinabove.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

The Board considered the status of maintenance of the District's detention and drainage facilities by Seaback. Mr. Laseter reported that he has received an invoice from Seaback for November 2016, for maintenance and mowing of the District's facilities, and recommends approval and payment of same. Mr. Laseter noted he has notified Seaback that the Detention Pond has not yet been conveyed to the District, and has asked Seaback to refrain from performing any further maintenance work on such detention pond until specifically instructed to do so by the Board of Directors. Mr. Rubinsky advised the Board that a deed for the conveyance of the detention pond site to the District and a conveyance of utility facilities are in the process of being drafted.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board considered authorizing solicitation of proposals for renewal of the District's insurance policies. In that regard, Mr. Rubinsky advised the Board that the District's current insurance coverages are provided through Aquasurance, LLC ("Aquasurance"), and that such coverages will expire on March 31, 2017. Mr. Rubinsky then queried the Board whether SPH should request written proposals from other insurance providers on the District's behalf. After discussion, the Board instructed SPH to solicit only a renewal proposal on behalf of the District from Aquasurance for review at the Board's next meeting.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated January 23, 2017, a copy of which is attached hereto as **Exhibit K**, and discussed the status of various projects within the District.

Mr. Rubinsky advised the Board that SPH has not yet received the executed utility commitment letters previously issued to Texas Petroleum Group and Landmark Industries,

respectively. Following further discussion on the matter, the Board deferred approval of the proposed Consent to Encroachment and Indemnity Agreement with Landmark Industries and the proposed Consent to Encroachment and Indemnity Agreement with Texas Petroleum Group until the executed utility commitment letters have been received by the District.

In connection with the status of communications with representatives of the West Harris County Regional Water Authority ("WHCRWA") regarding its desire to acquire certain Water Line Easements from the District and certain landowners within the District for the construction of a 60-inch surface water transmission line, Mr. Laseter advised that there is no update to report at this time.

In connection with the status of communications with representatives of the North Fort Bend Water Authority ("NFBWA") regarding its desire to acquire Water Line Easements across five (5) parcels of land owned by the District and the District's concerns regarding the proposed location of the NFBWA's 60-inch surface water transmission line through the District's Katy Gap Road Lift Station site, Mr. Laseter advised that there is no update to report at this time.

In connection with maintenance of the detention pond constructed by Harris County on Mr. Moore's property, now known as HCFCD Unit No. T506-02-00 (the " Moore Heights Detention Pond"), Mr. Laseter reported that Harris County Flood Control has issued a work order for restoration of the detention pond to meet the District's standards, and is scheduled to commence such work in February.

In connection with the application to Texas Commission on Environmental Quality ("TCEQ") for renewal of the District's Wastewater Discharge Permit, Mr. Laseter advised the Board that the District is in the public comment phase of the permit renewal and that he is waiting on the TCEQ issue the new draft permit.

BOND ISSUE NO. 7

Regarding proposed Bond Application Report No. 7 ("BAR") related to the District's proposed Series 2017 Unlimited Tax Bonds ("Series 2017 Bonds"), Mr. Rubinsky advised that SPH is reviewing the draft BAR, which was prepared by Van De Wiele, and is making revisions to reflect the increase in the principal amount from \$5,495,000 to \$5,595,000. Following discussion, the Board concurred that no action was required regarding said matter at this time.

DEVELOPERS' REPORTS

The Board next considered the Developers' Reports. In connection therewith, Mr. Baker provided a detailed update regarding various projects within Katy ABC's Katy Ranch Crossing development. Following discussion, the Board concurred that no action was required on its part at this time regarding said matter.

UTILITY COMMITMENTS

The Board next considered the issuance of utility commitments. In connection therewith, Mr. Rubinsky discussed a request for a utility commitment received by the District from Bleyl & Associates on behalf of FPOC, LLC for water and sewer service for proposed office

condominiums to be developed on 3.6 acres located along Katy Gap Road. Mr. Laseter advised that Bleyl & Associates requires approximately 2,835 per day, average daily flow, of sanitary sewer capacity and related water capacity to serve the proposed development, which Pinpoint Legacy at Falcon Point, LLC has and desires be committed to the project by the District. After discussion, Director Welch moved that the Board approve the issuance of a utility commitment FPOC, LLC as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from FPOC, LLC relative to same. Director Anzalotti seconded said motion, which unanimously carried.

THE GRAND HARBOR HOMEOWNERS' ASSOCIATION

In connection with the status of communications between the District and the HOA regarding the proposed improvement of park and recreational facilities and other common areas within the boundaries of the District, the Board discussed the proposed construction of various sidewalks and trails to existing and provide better access to existing and proposed recreational facilities. Following discussion, the Board deferred further consideration of said matter.

STATUS OF MASTER PARKS PLAN PREPARED BY TALLEY LANDSCAPE ARCHITECTS, INC. ("TALLEY")

In connection with the status of the District's Master Parks Plan, a brief discussion followed. Director Witt requested SPH provide Talley with a copy of the District's Special Warranty Deed for the Lakes of Grand Harbor Detention Pond sites to ensure the District has ownership of said properties. Thereafter, the Board deferred consideration of any action.

ATTORNEY'S REPORT

Mr. Rubinsky advised that he had nothing further of a legal nature to discuss with the Board at this time.

PROPOSED WEBSITE

Director Welch next recommended establishing a committee of the Board to review and evaluate the various proposals received by the Board to date for the creation of a District website and to make recommendations regarding the subject matter. Following discussion, Director Porter moved to appoint Director Welch and Director Anzalotti to further review and evaluate and make recommendations to the Board regarding the creation and maintenance of a District website. Director Witt seconded said motion, which unanimously carried.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

The Board deferred discussion regarding review of the District's consultants' contracts.

EXECUTIVE SESSION

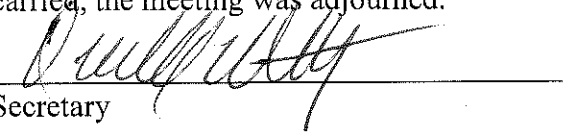
The Board concurred that a Closed Session would not be required in connection with any of the matters discussed at today's meeting.

FUTURE AGENDA ITEMS

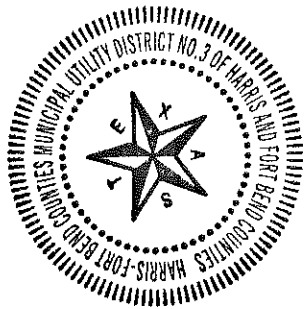
The Board next considered matters for possible placement on future agendas. In connection therewith, the Board requested that an item be added to the agendas for all future meetings regarding the presentation and review of monthly Security Reports from the Harris County Sheriff's Office. Mr. Rubinsky stated that SPH will include an item on all future agendas for the consideration of monthly Security Reports.

ADJOURNMENT

There being no further business to come before the Board, upon motion made by Director Welch, seconded by Director Witt and unanimously carried, the meeting was adjourned.


Secretary

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LIST OF EXHIBITS

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| Exhibit A | Tax Assessor/Collector's Report |
| Exhibit B | Perdue Brandon Delinquent Tax Report dated January 23, 2017 |
| Exhibit C | Resolution Authorizing an Additional Penalty on Delinquent Personal
Property Taxes |
| Exhibit D | Bookkeeper's Report |
| Exhibit E | Resolution Adopting List of Qualified Brokers Authorized to Engage
in Investment Transactions with the District |
| Exhibit F | Sales Tax Reports for the Fourth Quarter- 2016 |
| Exhibit G | Website Proposal prepared by DooWooWoo, LLC |
| Exhibit H | Webiste Proposal prepared by DonDulin.com, LP |
| Exhibit I | Operator's Report |
| Exhibit J | Amended Rate Order effective January 23, 2017 |
| Exhibit K | Engineer's Report |