

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting February 27, 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 February 27, 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 and Charles LaConti of Municipal Accounts & Consulting, L.P. ("MA&C"); Cathy Wheeler of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton 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"); 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 November 28, 2016, December 19, 2016, and January 23, 2017. Following discussion, the Board deferred approval of the minutes of the Board of Directors meetings held on November 28, 2016, December 19, 2016, and January 23, 2017, 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 January 31, 2017, 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 January 31, 2017, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Welch moved that the Tax Assessor-Collector's Report be approved as presented, and that the payment of the disbursements identified in said Report from the District's Tax Account be authorized. Director Witt seconded said motion, which carried unanimously.

Ms. Wheeler next requested that the Board consider amending the District's Agreement for Services of Tax Assessor and Collector with Wheeler to allow for an increase in the monthly fee as Wheeler has not had an increase since 2007. Following discussion, the Board concurred to add an item to the agenda for consideration at its next meeting.

DELINQUENT TAX COLLECTIONS REPORT

The Board next deferred consideration of a Delinquent Tax Collections Report, as no report was received this month from Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), the District's Delinquent Tax Collections Attorneys.

Ms. Wheeler updated the Board on the status of the delinquent account of Alan J. Atkinson. Following discussion, the Board noted that it had provided Mr. Atkinson with more than a sufficient amount of time to resolve any outstanding issue related to such account with the Appraisal District and concurred to authorize Perdue Brandon to pursue the collection of said delinquent account in the normal manner.

2017 TAX EXEMPTIONS

Per the request of the Board at last month's meeting, Ms. Shelton provided an analysis regarding the eligible homesteads within the District that qualify for the various tax exemptions and the impact of the District granting such exemptions in varying amounts on the average homeowner's annual tax bill and on the District's tax rate. A copy of such analysis is attached hereto as **Exhibit B**. Mr. Rubinsky reiterated that under the provisions set by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, 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. After a lengthy discussion of the District's options and Ms. Shelton's analysis, Director Welch moved that the District (a) grant a five percent (5%) residential homestead exemption, and (b) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$20,000 from ad valorem taxes levied by the District during the calendar year 2017, and that the Resolution Concerning Exemptions From Taxation attached hereto as **Exhibit C** relative to same be approved and adopted by the Board and the District. Director Witt seconded said motion, which carried unanimously. The Board then requested that Ms. Wheeler prepare correspondence to the District's residents notifying them of the Board's adoption of the new tax exemptions, and that Director Witt review and approve said correspondence on behalf of the Board. Thereafter, upon motion by Director Anzalotti, seconded by Director Porter and unanimously carried, the Board authorized the Tax Assessor/Collector to mail the final notice approved by Director Witt to the District's residents as soon as possible.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated February 27, 2017, a copy of which is attached hereto as **Exhibit D**, including the checks presented for payment from the District's various accounts, and the Quarterly Investment Report for the period ended December 31, 2016. Ms. Crigger noted that check no. 5410 on the General Operating Fund would be voided. After discussion, Director Porter moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the Districts various accounts, except check no. 5410 on the General Operating Fund, which was voided, and that the District's Investment Office be authorized to sign the Quarterly Investment Report on behalf of the Board and the District. Director Anzalotti seconded said motion, which unanimously carried.

FIRST AMENDMENT TO RETAIL ELECTRICITY SERVICES ANNEX WITH TEXAS GENERAL LAND OFFICE

The Board next recognized Mr. LaConti, who addressed the Board regarding a proposed extension of the Retail Electricity Services Annex (the "Agreement") between the District and the Texas General Land Office (the "GLO"). In this regard, he presented a pricing memorandum to the Board prepared by Acclaim Energy Advisors, a copy of which is attached hereto as **Exhibit E**. Mr. LaConti reminded the Board that the District participates in a pool with a number of other districts to receive electricity services from the GLO and that the term of the current Agreement expires in April 2020. He advised that the GLO would like to extend the term by up to four years, and, in connection therewith, presented to the Board a First Amendment to Retail Electricity Services Annex (the "Amendment"). He explained that the rate for electricity during the renewal term would be dependent on the length of same, noting that a renewal term of twenty-four to thirty-six months would guarantee a 5% discount from the current rate, while a renewal term of forty-eight months would guarantee a discount of 4.2%. He explained further that in the event the GLO is unable to obtain such savings within ninety days of the effective date of the Amendment, the Amendment would terminate and be of no further effect. After discussion on the matter, upon motion made by Director Welch, seconded by Director Porter and unanimously carried, the Board approved the Amendment and a renewal term of up to thirty-six months and authorized, the President to execute the Amendment on behalf of the District.

STATUS OF AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2016

Mr. Rubinsky advised the Board that McGrath & Co., PLLC ("McGrath") is in the process of preparing the District's Audit Report for the fiscal year ended December 31, 2016, and that the draft Report will be presented for the Board's review and approval at the next meeting.

Mr. LaConti 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 February 27, 2017, a copy

of which is attached hereto as **Exhibit F**. 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 fifty-five (55) customer accounts listed on the Delinquent Accounts Report this month, and that no customer appeals had been received.

Ms. Falke requested the Board's authorization to re-paint the fire hydrants located within the District. Ms. Falke advised that there are a total of 181 fire hydrants proposed to be re-painted at a rate of \$35.00 each, which will cost a total of \$6,035.00. Following discussion on the matter, Director Witt moved to authorize EDP to re-paint the 181 fire hydrants at a total cost of \$6,035.00. Director Anzalotti seconded said motion, which unanimously carried.

Ms. Falke next reported to the Board that the step screen located at the District's Wastewater Treatment Plant ("WWTP") is in need of repair. Ms. Falke presented quotes from two companies for the repair. She advised that Newman Regency Group provided a quote of \$49,725 for said repair, which included the price of replacing all other parts while said step screen is offline, and that S.T.P. Services provided a quote of \$21,000 for the repair of the step screen only. Following discussion, Director Witt moved that the Board authorize EDP to coordinate the repair of the step screen at the WWTP with Newman Regency Group at a cost of \$49,725. Director Welch seconded said motion, which unanimously carried.

Ms. Falke next reported to the Board that Lift Pump No. 3 (the "Lift Pump") located at the WWTP on-site lift station needs to be replaced. Ms. Falke advised that it would not be economically efficient to repair said Lift Pump, and that EDP has initiated an insurance claim in connection with same. She then stated that North Side Electric Motors provided a quote of \$18,591 for the replacement of the Lift Pump. Following discussion, Director Anzalotti moved that the Board authorize EDP to coordinate the replacement of the Lift Pump at the WWTP on-site life station with North Side Electric Motors at a cost of \$18,591. Director Witt seconded said motion, which unanimously carried.

RENEWAL OF DISTRICT INSURANCE POLICIES

The Board next considered the renewal of the District's general liability, umbrella liability, property, boiler and machinery, director and officer liability, and pollution liability insurance coverage, as well as the Directors Position Schedule Bond, and Public Employee Blanket Bond, scheduled to expire March 31, 2017. In that regard, the Board discussed the renewal proposal received from the District's current insurance carrier, AquaSurance, L.L.C. ("AquaSurance"). Mr. Rubinsky advised that the related TEC Form 1295 was provided to the District with an original of said form. After discussion on the matter, Director Welch moved that (i) the AquaSurance proposal be accepted, (ii) the President be authorized to execute same on behalf of the Board and the District, (iii) the District accept the TEC Form 1295 relative to the insurance proposal, and (iv) SPH be authorized to acknowledge receipt of the TEC Form 1295.

Director Anzalotti seconded said motion, which unanimously carried. A copy of the accepted proposal from AquaSurance is attached hereto as **Exhibit G**.

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 Maintenance Inc. ("Seaback"). Mr. Laseter reported that there was no action necessary on the part of the Board at this time.

FIRST AMENDMENT TO CONTRACT FOR STORM WATER QUALITY SERVICES

The Board next considered approval of the First Amendment to Contract for Storm Water Quality Services with Storm Water Solutions, LP, a copy which is attached hereto as **Exhibit H**. In this regard, Mr. Rubinsky presented to and reviewed with the Board a copy of said Amendment, and advised that its purpose is to add the storm water quality features at the Towns at Seville detention facility and the Bella Terra detention facility to the District's existing contract with Storm Water Solutions, L.P. Following discussion, Director Anzalotti moved that the Board approve the First Amendment to Contract for Storm Water Quality Services between Storm Water Solutions, LP and the District, and that the Board President be authorized to execute same. Director Witt seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated February 27, 2017, a copy of which is attached hereto as **Exhibit I**, and discussed the status of various projects within the District. Following discussion, it was moved by Director Anzalotti, seconded by Director Welch and unanimously carried, that the Engineering Report and all action items listed therein be approved, including the District's (i) Consent to Encroachment and Indemnity Agreement with Landmark Industries, subject to the District's receipt of the executed Agreement and TEC Form 1295 relative to same from Landmark Industries; (ii) Consent to Encroachment and Indemnity Agreement with Texas Petroleum Group, subject to the District's receipt of the executed Agreement and TEC Form 1295 relative to same from Texas Petroleum Group; (iii) Consent to Encroachment and Indemnity Agreement with FPOC, LLC, subject to the District's receipt of the executed Agreement and TEC Form 1295 relative to same from FPOC, LLC; and (iv) Consent to Encroachment and Indemnity Agreement with DEHO, Ltd., in connection with Katy Ranch Crossing Phase III, subject to the District's receipt of the executed Agreement and TEC Form 1295 relative to same from DEHO, Ltd.

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 the NFBWA provided a draft Letter Agreement to supplement the Water Line Easement for the NFBWA's Parcel 19.05 and that Mr. Rubinsky is currently reviewing same on behalf of the District.

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 now completed repairs to the Moore Heights Detention Pond, but did not oversee it. After discussion, the Board requested that Mr. Laseter contact Seaback to provide a proposal for overseeding of the Moore Heights Detention Pond. Upon motion by Director Welch, seconded by Director Anzalotti and unanimously carried, the Board authorized Mr. Laseter and Director Witt to coordinate having Seaback perform overseeding of the Moore Heights Detention Pond.

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 District is still in the public comments phase of the permit renewal, and that the new draft permit should be received from the TCEQ any day.

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 Van De Wiele has revised and returned the draft of the BAR to SPH, and upon final review by SPH, the BAR will be sent to the TCEQ by the end of next week. . Following discussion on the matter, Director Porter moved that the Board (i) approve the Order Authorizing Application to the TCEQ for Approval of Project and Bonds (the "Order"), attached hereto as **Exhibit J**, and revoke any previously adopted orders related to the Series 2017 Bonds, (ii) that the President or Vice-President and Secretary or Assistant Secretary be authorized to execute the Order on behalf of the Board and the District, and (iii) that SPH, Van De Wiele and FirstSouthwest be authorized to submit the BAR to the TCEQ, in an amount not to exceed \$5,680,000, subject to final comments from SPH, Van De Wiele and FirstSouthwest, on a 60-day expedited review basis. Director Anzalotti seconded said motion, which unanimously carried.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES AND ADOPTION OF RESOLUTION ADOPTING PREVAILING WAGE RATE SCALE FOR CONSTRUCTION PROJECTS

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that, as required pursuant to Section 2258.022 of the Texas Government Code, the District has previously adopted the applicable United States Department of Labor ("DOL") wage rate scales as the general prevailing wage rates for construction projects by or on behalf of the District. Mr. Rubinsky further advised that the DOL's applicable wage rate scales have been amended. After discussion on the matter, Director Welch moved that the new DOL wage rate scales (comprised of three DOL wage determination scales for each project type) be adopted as the District's prevailing wage rate scales for construction projects, and that

the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit K** be adopted by the Board. Director Porter seconded said motion, which unanimously carried.

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. He also advised that Floor Décor has been opened and that the development of Phase Four is underway. Following discussion, the Board concurred that no action was required on its part at this time regarding said matter.

UTILITY COMMITMENTS

The Board considered utility commitment requests and deferred action on the matter after noting that no new requests had been received.

THE GRAND HARBOR HOMEOWNERS' ASSOCIATION ("HOA")

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, a brief discussion followed regarding the possible installation of security cameras throughout the subdivision. The Board deferred taking any action at this time relative to said matter. A brief discussion followed regarding the District's proposed acquisition of Restricted Reserve "E" in the Lakes at Grand Harbor, Section Three from The HOA in connection with the proposed Master Parks Plan. After discussion, the Board authorized SPH to obtain a Commitment for Title Insurance and to prepare a Special Warranty Deed related to 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, Director Witt reported that Talley is preparing a visual depiction of the proposed walking trail for further discussions with The HOA.

ATTORNEY'S REPORT

Mr. Rubinsky advised that he had nothing further of legal nature to address with the Board that is not already being covered under other agenda items.

DISTRICT WEBSITE

Director Anzalotti presented to and reviewed with the Board a comparison chart related to the proposals received from Off Cinco Web Design, DooWooWoo, LLC, and DonDulin.com, LP, in connection with the development of a District website, a copy of which chart attached hereto as **Exhibit L**. Director Anzalotti advised the Board that, after review of the various

proposals, he recommends that the Board engage Off Cinco Web Design ("Off Cinco") to create and maintain a "Standard Layout" website on behalf of the District. After discussion, Director Porter moved that (i) the District engage Off Cinco to develop a "Standard Layout" website for the District, subject the SPH's review and approval of the Agreement, and (ii) the Bookkeeper be authorized to forward payment to Off Cinco after SPH has confirmed approval of the Agreement. Director Welch 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 the matters discussed at today's meeting.

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.



Dwight Witt
Secretary

LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Analysis regarding 2017 Tax Exemptions prepared by FirstSouthwest
- Exhibit C Resolution Concerning Exemptions From Taxation
- Exhibit D Bookkeeper's Report
- Exhibit E Pricing Memorandum prepared by Acclaim Energy Advisors
- Exhibit F Operator's Report
- Exhibit G Aquasurance Insurance Proposal 2017-2018
- Exhibit H Engineer's Report
- Exhibit I First Amendment to Contract for Storm Water Quality Services with Storm Water Solutions, LP
- Exhibit J Order Authorizing Application to the TCEQ for Approval of Project and Bonds
- Exhibit K Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
- Exhibit L Website Proposal Comparison Chart