

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting May 22, 2017

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session at the Board's regular meeting place on May 22, 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
W. Derrell Witt, Secretary
Frank Anzalotti, Assistant Secretary

and all of said persons were present, thus constituting a quorum.

Also present were James Barbarino, a resident of the District; Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton and Christine Crotwell of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"); Mike Ammel of Environmental Development Partners, LLC ("EDP"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Merrie Talley of Talley Landscape Architects ("Talley"), who entered later in the meeting as noted herein; 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 January 23, 2017, February 27, 2017, March 27, 2017, and April 24, 2017. Following discussion, Director Welch moved that the minutes of the Board of Directors meetings held on January 23, 2017 and February 27, 2017, be approved as written. Director Anzalotti seconded said motion, which unanimously carried. The Board deferred approval of the minutes of the Board of Directors meetings held on March 27, 2017, and April 24, 2017, until its next meeting.

APPOINTMENT OF A NEW DIRECTOR TO FILL THE VACANCY ON THE BOARD OF DIRECTORS; ACCEPTANCE OF QUALIFICATION STATEMENT, AFFIDAVIT OF CURRENT DIRECTOR, ELECTION NOT TO DISCLOSE CERTAIN INFORMATION, BOND AND OATH OF OFFICE

The Board next considered the appointment of a new Director to fill the vacancy on the Board, including the acceptance of a Qualification Statement of Elected Officer, Bond, Oath of Office and an Affidavit of Current Director and Election Not to Disclose Certain Information for James Barbarino. In that regard, Mr. Barbarino presented his Statement of Elected Officer, Oath

of Office, official Bond, Affidavit of Current Director and Election Not to Disclose Personal Information. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Witt and unanimously carried that the Board approve said Bond, accept said Statement, Oath, Affidavit and Election and declare James Barbarino to be a duly elected and qualified Director of the District.

Mr. Rubinsky next advised Director Barbarino of the training requirements for public officials. He advised that public officials, including directors of a municipal utility district, must complete separate training courses regarding the Texas Open Meetings Act and the Texas Public Information Act. Mr. Rubinsky presented Director Barbarino with a Memorandum prepared by SPH which summarizes the training requirements, a copy of which Memorandum is attached hereto as **Exhibit A**. He advised Director Barbarino that the deadline to complete his training is ninety (90) days from today. Mr. Rubinsky further advised that it is the responsibility of Director Barbarino to ensure that he completes the training by the appropriate deadline, and to provide evidence of same to SPH for the District's records.

Mr. Rubinsky next discussed with the Board the conflicts disclosure statement reporting requirements for officers of certain local governmental entities, including water district directors, pursuant to Chapter 176 of the Local Government Code. He presented Director Barbarino with a Memorandum prepared by SPH which summarizes the conflicts disclosure requirements and a questionnaire for completion by Director Barbarino regarding conflict of interest disclosure reporting.

ELECTION OF OFFICERS

The next item to be considered was the election of officers of the Board. After discussion, (i) Director Barbarino was nominated as Assistant Secretary of the Board, and (ii) it was suggested that all other officers of the Board remain in their current positions. Upon motion made by Director Witt, seconded by Director Anzalotti and unanimously carried, Director Barbarino was elected as Assistant Secretary of the Board.

DISTRICT REGISTRATION FORM

The Board next considered approving an amended District Registration Form as required by the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Rubinsky explained that, in accordance with the Texas Water Code, municipal utility districts are required to file a District Registration Form identifying the names, mailing addresses, officer positions and terms of new directors with the TCEQ within thirty days (30) after an election or appointment. He advised that, with the Board's approval, SPH will prepare an updated District Registration Form to include such information with respect to the term of office of Director Barbarino and will file same with the TCEQ. Director Welch moved that the Board authorize SPH to complete the updated District Registration Form as discussed and to file same with the TCEQ. Director Porter seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of April 30, 2017, a copy of which is attached hereto as **Exhibit B**, including the disbursements presented for payment from the Tax Account. Mr. Arce also presented a Delinquent Tax Roll as of April 30, 2017, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Porter 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

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.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated May 22, 2017, a copy of which is attached hereto as **Exhibit C**, including the checks presented for payment from the District's various accounts, and the Quarterly Investment Report for the period ended March 31, 2017. After discussion, Director Welch moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, and that the District's Investment Officer be authorized to sign the Quarterly Investment Report on behalf of the Board and the District.. Director Witt seconded said motion, which unanimously carried.

UNCLAIMED PROPERTY REPORT

Ms. Crigger presented to and reviewed with the Board an Unclaimed Property Report prepared by MA&C for the period March 1, 2015 through February 28, 2016, a copy of which is attached hereto as **Exhibit D**, and stated that the District has \$379.17 in unclaimed funds to escheat to the State Comptroller for the subject reporting period. After discussion, Director Witt moved that MA&C be authorized to file said Report with the State Comptroller prior to July 1, 2017, in accordance with applicable law. Director Barbarino seconded said motion, which unanimously carried.

OPERATOR'S REPORT

The Board next considered the Operator's Report. In connection therewith, Mr. Ammel presented to and reviewed with the Board the Operator's Report dated May 22, 2017, a copy of which is attached hereto as **Exhibit E**. Mr. Ammel 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.

Mr. Ammel noted that there were sixty-six (66) customer accounts listed on the Delinquent Accounts Report this month, and that no customer appeals had been received.

Mr. Ammel advised that re-painting of the District's fire hydrants is complete, and that EDP is continuing to work on the replacement of Lift Pump No. 3 located in the on-site lift station at the Wastewater Treatment Plant ("WWTP") and the repair of the step screen located at the District's WWTP.

CONSUMER CONFIDENCE REPORT

The Board next considered the 2016 Consumer Confidence Report ("CCR"). Mr. Ammel presented and reviewed with the Board the District's CCR pamphlet, a copy of which is attached to the Operator's Report. Mr. Rubinsky reminded the Board that pursuant to CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ, the District is required to provide a report containing various information regarding the District's water supply to all customers of the District by July 1, 2017. After discussion on the matter, Director Welch moved that the draft 2016 CCR be approved, subject to SPH's final approval of same, and that the Operator be authorized to distribute same to the District's customers prior to July 1, 2017. Director Witt seconded the motion, which unanimously carried.

Mr. Arce exited the meeting at this time.

RENEWAL OF GENERATOR RENTAL AGREEMENT

Mr. Ammel presented and reviewed with the Board a proposed 2017 Generator Rental Agreement between the District and EDP for the upcoming Hurricane Season, a copy of which is attached to the Operator's Report. He noted that the term of the Agreement begins June 1, 2017 and ends November 30, 2017, and that said Agreement provides for a lease rate of \$2,500 per month. After discussion on the matter, Director Anzalotti moved that the Board approve the 2017 Generator Rental Agreement with EDP, accept the related Texas Ethics Commission ("TEC") Form 1295, and authorize the President to execute such Agreement on behalf of the Board and the District. Director Witt seconded the motion, which carried unanimously.

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 the overseeding and fertilizing of the Harris County Flood Control District ("HCFCD") Unit No. 506-02-00 (Moore Heights Detention Pond) has been completed by Seaback and that Van De Wiele has reviewed and approved the invoices for the months of April and May in connection therewith.

Ms. Talley entered the meeting at this time.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated May 22, 2017, a copy of which is attached hereto as **Exhibit F**, and discussed the status of various projects within the District.

In connection with the proposed acquisition of a Water Plant No. 2 Site and a Sanitary Control Easement and Water Line Easement required in connection with same, Mr. Rubinsky advised that he has a phone call scheduled with the broker for a prospective buyer of a portion of the Bing Family property, and that he hopes to have some discussion with representatives of the Bing Family regarding the District's need to acquire such property interests in connection with said matters soon.

In connection with the status of street and storm sewer acceptances by Harris County, Mr. Laseter reported that Van De Wiele is awaiting the acceptance letter for the Moore Heights and I-10 Bella Terra, Phase I facilities from Harris County.

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 nothing new 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. Rubinsky advised that he had nothing new to report at this time, but is continuing to work with the NFBWA's attorneys on said matter.

In connection with maintenance of the detention pond constructed by Harris County on property acquired from a J.K. Moore Real Estate Limited Partnership, Ltd.'s ("J.K. Moore"), now known as HCFCU Unit No. T506-02-00 (the "Moore Heights Detention Pond"), Mr. Laseter reminded the Board that the District received a letter from HCFCU offering to enter into a Mowing Reimbursement Agreement ("Mowing Agreement") with the District for both the Moore Heights Detention Pond and Unit No. T506-01-00 (the "Bing Detention Pond"). Mr. Rubinsky advised that SPH and Van De Wiele are working on initiating a Mowing Agreement with HCFCU for the Moore Heights Detention Pond only, in accordance with the Board's prior instructions.

In connection with the application to the TCEQ for the renewal of the District's Wastewater Discharge Permit for the WWTP, Mr. Laseter advised that the final permit renewal advertisement has been published as required by the TCEQ, and that he expects the District to receive the new permit soon.

BOND ISSUE NO. 7

The Board next considered the status of the Bond Application Report No. 7 ("BAR") relative to the District's proposed \$5,680,000 Unlimited Tax Bonds, Series 2017 ("Series 2017 Bonds"). In connection therewith, Mr. Rubinsky reported to the Board that he received the TCEQ's Staff Memo and draft Order approving the issuance of the Series 2017 Bonds this morning, and advised that SPH, FirstSouthwest, and Van De Wiele will need to review said Staff Memo and draft Order and concur with the findings and recommendations therein before they can recommend the Board approve a Preliminary Official Statement ("POS") and Official Notice of Sale ("NOS") relative to proposed Series 2017 Bonds, to which the Board concurred. In that regard, the Board deferred consideration of agenda items 14(a) through 14(d) until its next meeting.

A discussion then ensued concerning the proposed timeline for the sale of the Series 2017 Bonds. After discussion, it was agreed that (i) a special Board meeting would be held on June 12, 2017 at 11:00 a.m. to approve the POS and NOS and authorize the Financial Advisor to advertise for the sale of the Series 2017 (ii) Bonds, the sale of the Series 2017 Bonds will be scheduled for June 26, 2017 at 11:00 a.m., and (iii) that the closing of said transaction be tentatively scheduled for July 26, 2017. Ms. Shelton advised she would update and circulate for the Board's review the Preliminary Official Statement for the Series 2017 Bonds prior to the Board's proposed special meeting.

Mr. Rubinsky then noted that Mr. Laseter will need to request a pre-purchase inspection by the TCEQ of the facilities proposed to be purchased by the District with the proceeds of the Series 2017 Bonds. After further discussion, Director Anzalotti moved to authorize Mr. Laseter to request the pre-purchase inspection by the TCEQ of the projects to be financed with the proceeds of with the Series 2017 Bonds. Director Porter seconded said motion, which unanimously carried

DEVELOPERS' REPORTS

The Board next considered the Developers' Reports. Mr. Moore reported briefly on status of the property in the District development of the various projects owned by J.K. Moore. Mr. Laseter next reported on the status of development of 13.5 acres owned by I-10/Katy, Ltd., and the 18.8 acre tract owned by Dolce Bella Terra, LLC. Following discussion, the Board concurred that no action was required on its part at this time regarding said matters.

UTILITY COMMITMENTS

The Board next considered the issuance of utility commitments. In connection therewith, Mr. Rubinsky discussed a request for a utility commitment previously received by the District from Mike Baker water and sewer service in connection with the proposed development of a Whataburger on approximately 1.0419 acres located at 23903 Katy Freeway at Ernestes Road, which was acquired from Texas Petroleum Group, LLC ("TPG"). He then presented a copy of correspondence from TPG, a copy of which is attached hereto as **Exhibit G** requesting the assignment of 7 equivalent single family connections of water and sewer capacity previously committed by the District to TPG to O.N. Baker for the 1.0419 acre tract. After discussion,

Director Welch moved that SPH be authorized to prepare a utility commitment to Mr. Baker for such project as requested. Director Anzalotti seconded said motion, which carried unanimously.

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, Mr. Rubinsky advised that SPH is in the process of preparing the Special Warranty Deed required in order to acquire Restricted Reserve "E" in Lakes of Grand Harbor, Section Three from the HOA. Mr. Rubinsky advised that the HOA Board agreed to convey said parcel of land to the District at its meeting held on May 15, 2017, and noted that SPH will send such Deed to the HOA for execution upon completion.

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 next recommended appointing a second Director to the committee of the Board that will assist him in reviewing and evaluating various matters in connection with the Master Parks Plan and to make recommendations to the Board regarding same. Following discussion, Director Welch moved to appoint Director Anzalotti to a committee (along with Director Witt) review, evaluate and make recommendations to the Board regarding matters related to the Master Parks Plan. Director Barbarino seconded said motion, which unanimously carried.

The Board next recognized Ms. Talley, who next presented and reviewed with the Board a revised proposal and map depicting three (3) phases of projects consisting of walking/jogging trails and other park and recreational facilities and landscaping improvements within the District, with estimated budgets for each phase. Following the presentation, a discussion ensued regarding the scope of funding and phasing of the proposed Master Parks Plan. In that regard, Mr. Rubinsky advised that the Board will need to adopt a new Resolution Adopting Plan for Recreational Facilities. Following discussion, Director Welch moved to (i) authorize SPH to prepare a Resolution Adopting Plan for Recreational Facilities for consideration at its next meeting, and (ii) approve holding check no. 5521 listed in the Bookkeeper's Report for Ms. Talley's services for preparing the proposals, maps, and presentations regarding the Master Parks Plan. Director Anzalotti seconded said motion, which unanimously carried. The Board deferred approval of the Master Parks Plan proposal until its next meeting.

HARRIS COUNTY SHERIFF'S OFFICE CONTRACT REPORT

The Board next reviewed the Harris County Sheriff's Office's ("HCSO") Contract Report for May 2017, a copy of which is attached hereto as **Exhibit H**. No action was required of the Board at this time.

DISTRICT WEBSITE

In connection with the status of creation of the District's proposed website, Mr. Rubinsky informed the Board that SPH provided comments to the proposed Service Agreement to Off Cinco, the District's website designer, which agreed to make the revisions and to send SPH an updated Service Agreement. Following discussion, Director Welch moved that the Board (i) reapprove the Agreement with Off Cinco, and (ii) authorize the President to execute same on behalf of the Board and District, subject to the final review, comment, and approval of SPH. Director Witt seconded said motion, which unanimously carried.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. In that regard, Mr. Rubinsky reminded the Board of the upcoming West Harris County Regional Water Authority MUD Directors Outreach Workshop scheduled for June 8, 2017.

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.

460215.1



W. Donald Witt

Secretary

LIST OF EXHIBITS

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| Exhibit A | Memordandum by SPH regarding Open Government Training Requirements |
| Exhibit B | Tax Assessor/Collector's Report |
| Exhibit C | Bookkeeper's Report |
| Exhibit D | Unclaimed Property Report |
| Exhibit E | Operator's Report |
| Exhibit F | Engineer's Report |
| Exhibit G | Utility Availability Letter by Texas Petroleum Group |
| Exhibit H | Engineer's Report |