

**HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3**  
**Minutes of Board of Directors Meeting**  
**July 24, 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 July 24, 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  
James Barbarino, Assistant Secretary

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

Also present were Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Sara Ahlschlager-Caulde of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"); Cathy 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"); Mark McGrath of McGrath & Co., PLLC ("McGrath"); Ron Dagley of The Betz Companies, on behalf of I-10/Katy, Ltd. ("I-1-/Katy"); Juanita Orsak of Pulte Group/Centex Homes ("Centex"); Richard Fletcher of Sales Tax Assurance, LLC ("STA"); 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 May 22, 2017, June 12, 2017 and June 26, 2017. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on May 22, 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 June 12, 2017 and June 26, 2017, until its next meeting.

**STATUS OF ISSUANCE OF \$5,680,000 UNLIMITED TAX BONDS, SERIES 2017 ("BONDS") AND AUTHORIZE DISBURSEMENT OF BOND PROCEEDS**

Mr. Rubinsky advised that the Attorney General has approved the issuance of the District's Bonds and that the sale of the Bonds is scheduled to close on July 26, 2017. The Board then considered the review and approval of various documents to be executed by the Board in connection with the closing of the sale of the Bonds. In that regard, Mr. Rubinsky presented and

reviewed various closing documents with the Board, including the No-Litigation Certificate, the District's Receipt, and the Federal Tax Certificate.

The Board next considered authorizing the disbursement of bond proceeds, subject to the closing later this week. In this regard, Mr. McGrath presented and reviewed in detail with the Board a draft audit report dated July 26, 2017, which had been prepared by McGrath in connection with the proposed payments to be made to certain developers from the proceeds of the Bonds, a copy of which report is attached hereto as **Exhibit A**. Mr. McGrath then responded to various inquiries regarding the information set forth in his report.

After discussion on the above matters, it was moved by Director Witt, seconded by Director Barbarino and unanimously carried that (i) the documents to be utilized in connection with the closing of the sale of the Bonds be approved by the Board, (ii) that the President and Secretary be authorized to execute same on behalf of the Board and District, (iii) that SPH be authorized to deliver same, as appropriate, and handle said closing on behalf of the District, and (iv) that the audit report be approved and funds be disbursed in accordance therewith, subject to the District's receipt of a Receipt and Indemnity executed by each payee in the form required by the District and approved by SPH.

#### **INTERNAL REVENUE SERVICE FORM 8038-G**

The next item to be considered by the Board was the approval and execution of Internal Revenue Service ("IRS") Form 8038-G relative to the Bonds, a copy of which is attached hereto as **Exhibit B**. After discussion on the matter, Director Anzalotti moved that the Form 8038-G be approved by the Board and that the President be authorized to execute same on behalf of the Board and District. Director Barbarino seconded said motion, which carried by unanimous vote.

#### **CORRESPONDENCE CONCERNING EXPENDITURE AND INVESTMENT OF BOND PROCEEDS**

Mr. Rubinsky next presented and reviewed correspondence from SPH, as Bond Counsel to the District with respect to the issuance of the Bonds, addressed to the Board regarding certain provisions of federal tax law and regulations of the IRS pertaining to the expenditure and investment of proceeds of the Bonds. He advised the Board that certain periodic reviews and reports are required to monitor compliance with the requirements set forth in the federal tax laws and regulations, and that based on said review and reports, the investment of bond proceeds may become subject to certain yield restrictions and require the remittance of arbitrage rebate payments to the IRS in the future. Mr. Rubinsky informed the Board that the District's Bookkeeper will monitor investment rates and that the District's Financial Advisor will review the District's debt service fund balance and coverage in connection with the annual tax rate recommendation. Mr. Rubinsky advised the Board, however, that compliance with the requirements of the federal tax laws and regulations promulgated thereunder is, ultimately, the responsibility of the Board. Said correspondence is attached hereto as **Exhibit C**.

#### **AMENDMENT TO DISTRICT INFORMATION FORM**

Mr. Rubinsky presented and discussed with the Board an Amendment to the Second Amended and Restated District Information Form required due to the issuance of the Bonds and

the change in the total amount of bonds issued by the District upon closing, a copy of which is attached hereto as **Exhibit D**. After discussion, Director Anzalotti moved that (i) said Amendment be approved effective on the date of closing of the Bonds, and that the Board members present be authorized to execute same on behalf of the Board and the District, and (ii) SPH be authorized and directed to timely record said Amendment in the real property records of Harris County and Fort Bend County. Director Porter seconded said motion, which carried unanimously.

### **ACT UPON ANY OTHER MATTERS IN CONNECTION WITH THE ISSUANCE OF THE DISTRICT'S BONDS**

The Board next considered the approval of any additional documents that may need to be executed by the District in connection with the closing of the sale of the Bonds. After further discussion, it was moved by Director Anzalotti, seconded by Director Porter and unanimously carried that the President and Secretary be authorized to execute any documents necessary and appropriate in connection with the issuance of the Bonds and the disbursement of the proceeds thereof, on behalf of the Board and District, and that SPH be authorized to deliver same, as appropriate.

### **TAX ASSESSOR-COLLECTOR'S REPORT**

Ms. Ahlschlager-Caulde presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of June 30, 2017, a copy of which is attached hereto as **Exhibit E**, including the disbursements presented for payment from the Tax Account. Ms. Ahlschlager-Caulde also presented a Delinquent Tax Roll as of June 30, 2017, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Witt 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 Barbarino seconded said motion, which carried unanimously.

Mr. McGrath exited the meeting at this time.

### **DELINQUENT TAX COLLECTIONS REPORT**

Mr. Rubinsky presented and reviewed with the Board the Delinquent Tax Report prepared by the District's Delinquent Tax Collections Attorneys, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), dated July 24, 2017, a copy of which is attached hereto as **Exhibit F**. Mr. Rubinsky updated the Board on the status of the delinquent account of Alan J. Atkinson. He advised that Wheeler's office has researched the matter further and concluded that the District can write off the account due to the Harris County Appraisal District's failure to treat the account as tax-exempt following the recording of the plat and the dedication of the subject property as a public road right-of-way. After discussion, Director Welch moved that Wheeler be authorized to write off the delinquent 2013 tax account of Alan J. Atkinson due to HCAD's error. Director Anzalotti seconded said motion, which unanimously carried. No further action was required in connection with the Delinquent Tax Report.

## **BOOKKEEPER'S REPORT**

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated July 24, 2017, a copy of which is attached hereto as **Exhibit G**, including the checks presented for payment from the District's various accounts. After discussion, Director Porter moved that the Board approve the Bookkeeper's Report, including (i) the various checks presented for payment from the District's various accounts, (ii) check no. 5579 from the General Operating Fund to Bluecap, Ltd. for sales tax reimbursement, subject to the Board's approval of the quarterly Sales Tax Reports and the Developer Reconciliation Report to be presented by Mr. Fletcher, and (iii) the disbursements to be made from the Construction Account being subject to the closing of the Bonds on July 26, 2017. Director Anzalotti seconded said motion, which unanimously carried.

## **SALES TAX COLLECTIONS 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 Second Quarter - 2017, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2017 Quarter 1 related to Katy Ranch Development Area, copies of which are attached hereto as **Exhibit H**. Following review of said reports, Mr. Fletcher recommended the payment of \$53,190.82 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 Welch moved that the Sales Tax Report for the Second Quarter - 2017 and the development payment of \$53,190.82 to Katy ABC for 2017 Quarter 1 be approved, as recommended by STA. Director Barbarino seconded said motion, which carried unanimously.

Ms. Orsak and Ms. Ms. Ahlschlager-Caulde 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 July 24, 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-three (73) 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 three (3) 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 three (3) subject delinquent accounts listed in the Report to collections. Director Anzalotti seconded said motion, which carried unanimously.

Ms. Falke advised that EDP is continuing to work on the repair of the step screen located at the District's WWTP, and that EDP is waiting on parts for said repair to be delivered.

#### **RATIFY APPROVAL OF EMERGENCY GENERATOR RENTAL AGREEMENT**

Mr. Rubinsky reminded the Board of its prior discussion and approval of a 2017 Generator Rental Agreement between the District and NTS Rentals, LLC ("NTS") in connection with the rental of a 20 KW generator to serve the District's Lift Station No. 1 for the upcoming Hurricane Season. He reiterated that the term of the Agreement began June 1, 2017 and ends November 30, 2017, and that said Agreement provides for a lease rate of \$400 per month. After discussion on the matter, Director Anzalotti moved to ratify the Board's prior approval of the 2017 Generator Rental Agreement with NTS, 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 Barbarino 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 advised that there was nothing new to report at this time, other than that he had reviewed and approved Seaback's June 2017 invoices.

#### **ENGINEER'S REPORT**

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated July 24, 2017, a copy of which is attached hereto as **Exhibit J**, and discussed the status of various projects within the District.

In connection with the Water Distribution and Storm Drainage Improvements to serve I-10 Bella Terra Subdivision, Phase III, Mr. Laseter advised that a Notice to Proceed was issued to Harris Construction Company, Ltd. effective July 18, 2017.

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.

Mr. Laseter next advised that the Storm Water Quality Permit for the storm water quality feature constructed in the I-10 BellaTerra detention pond has been transferred from Dolce Bella Terra, LLC into the name of the District.

In connection with the status of street and storm sewer acceptances by Harris County, Mr. Laseter reported that Van De Wiele is still awaiting the acceptance letter for the Moore Heights and I-10 Bella Terra, Phase I facilities from Harris County. He further advised that Harris County's final inspection of the I-10 Bella Terra, Phase II facilities is scheduled for November 21, 2017.

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 HCFCD Unit No. T506-02-00 (the "Moore Heights Detention Pond"), Mr. Laseter reminded the Board that the District received a letter from HCFCD 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 HCFCD for the Moore Heights Detention Pond only at this time, in accordance with the Board's prior instructions.

Mr. Laseter presented and reviewed with the Board a Memorandum from Shrader Engineering dated June 28, 2017 regarding estimates of costs for both a diesel generator to serve the Katy Gap Lift Station. Following a lengthy discussion on the matter, Director Welch moved to authorize Van De Wiele to solicit proposals for the purchase and installation of a 40 KW natural gas generator to serve the Katy Gap Lift Station for the Board's consideration at its next meeting. 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 the status of various projects within Katy ABC's Katy Ranch Crossing development. Mr. Dagley next reported on the status of development of 13.5 acres within the I-10 Bella Terra Subdivision, and the 18.8 acre tract owned therein 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 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, Director Anzalotti reported to the Board regarding the proposed installation of structural shades on the HOA playground, and advised that he will bring proposals for the Board's review at its next meeting.

The Board deferred approval of the Special Warranty Deed for the District's acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three from the HOA until its next meeting.

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

In connection with the status of the District's Master Parks Plan, Mr. Rubinsky advised the Board that SPH is still reviewing the latest Plan and will provide final comments on same to Ms. Talley so it can be completed.

**HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT**

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

**DISTRICT WEBSITE**

In connection with the status of creation and maintenance of the District's website, Mr. Rubinsky discussed with the Board the legal requirement to post the District's Electric Consumption Reports on its website. Director Welch advised that he will acquire said information from Acclaim Energy Advisors and provide it to Off Cinco to have it posted.

**ATTORNEY'S REPORT**

The Board considered the Attorney's Report. Mr. Rubinsky presented to and reviewed with the Board correspondence from the TCEQ dated July 14, 2017 regarding a Notification of Municipal Setting Designation Certification, a copy of which is attached as **Exhibit L**. Mr. Rubinsky advised that no action was required of the Board relative to said matter.

Mr. Rubinsky next presented and reviewed with the Board a Waterworks publication provided by the West Harris County Regional Water Authority ("WHCRWA"), a copy of which is attached hereto as **Exhibit M**. Following discussion, the Board concurred that no action was required of the Board at this time.

In connection with the status of communications with representatives of the 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. Rubinsky 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.

**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.

  
Secretary

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## LIST OF EXHIBITS

Exhibit A	Independent Accountant's Report prepared by McGrath & Co., PLLC in connection with series 2017 Bonds
Exhibit B	IRS Form 8038-G
Exhibit C	Correspondence concerning Expenditure and Investment of Bond Proceeds
Exhibit D	Amendment to the Second Amended and Restated District Information Form
Exhibit E	Tax Assessor/Collector's Report
Exhibit F	Delinquent Tax Report
Exhibit G	Bookkeeper's Report
Exhibit H	SPA STAR Report for the Second Quarter - 2017, and a Sales Tax Reconciliation Summary for 2017 Quarter 1 related to Katy Ranch Development Area
Exhibit I	Operator's Report
Exhibit J	Engineer's Report
Exhibit K	Harris County Sheriff's Office's Report (June 2017)
Exhibit L	Correspondence from the TCEQ regarding Notification of Municipal Setting Designation Certification
Exhibit M	Waterworks publication provided by the WHCRWA