

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
Minutes of Board of Directors Meeting
September 25, 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 September 25, 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. Director Anzalotti entered after the start of the meeting, as noted herein.

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"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Brad Seaback of Seaback Maintenance, Inc. ("Seaback"); 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 June 12, 2017, June 26, 2017, and July 24, 2017. Following discussion, Director Welch moved that the minutes of the Board of Directors meetings held on June 12, 2017, June 26, 2017, and July 24, 2017, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Ahlschlager-Caulde presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of August 31, 2017, attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Ahlschlager-Caulde also presented a Delinquent Tax Roll as of August 31, 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.

DELINQUENT TAX COLLECTIONS REPORT

The Board 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.

2017 TAX RATE RECOMMENDATION

Ms. Shelton next presented to and reviewed in detail with the Board her recommendation regarding the proposed 2017 debt service tax rate and maintenance tax rate, a copy of which recommendation is attached hereto as **Exhibit B**. Ms. Shelton recommended that the Board decrease the District's debt service tax rate from \$0.68 per \$100 of assessed valuation to \$0.61 per \$100 of assessed valuation. Further discussion followed regarding the Board's ability to lower the District's maintenance tax as well, if it so desires. There next followed a discussion concerning the requirements for notice of the District's intention to adopt a 2017 tax rate. Mr. Rubinsky advised that, pursuant to §49.236 of the Texas Water Code, as amended, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr. Rubinsky further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He advised that the District must provide the notice by either (i) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (ii) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least ten days before the date of the meeting. After further discussion on the matter, Director Welch moved that the Board (i) declare its intention to levy a proposed 2017 debt service tax rate of \$0.61 per \$100 of taxable value and a proposed maintenance tax rate of \$0.21 per \$100 of taxable value, resulting in a total proposed 2017 tax rate of \$0.82 per \$100 of valuation, and (ii) authorize the District's Tax Assessor-Collector to publish notice of the District's intention to adopt a 2017 tax rate at its next meeting in the form and at the time required by law. Director Porter seconded said motion, which unanimously carried. The Board concurred that the notice should be published by the Tax Assessor-Collector in the *Katy Times*.

Ms. Shelton exited the meeting at this time.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated September 25, 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 June 30, 2017. After discussion, Director Witt moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, and the Quarterly Investment Report for the period ended June 30, 2017, and that the District's Investment Officer be authorized to sign the Quarterly Investment Report on

behalf of the Board and the District. Director Barbarino seconded said motion, which unanimously carried.

ANNUAL REVIEW OF ORDER ESTABLISHING POLICY FOR INVESTMENT OF DISTRICT FUNDS AND APPOINTING INVESTMENT OFFICER

The Board next considered the annual review of its Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Investment Policy"), and the adoption of a Resolution in connection therewith. Mr. Rubinsky presented for the Board's review an amended Investment Policy, a Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Resolution"), and a Memorandum to the Board from SPH regarding the proposed amendments to the Investment Policy. The Memorandum to the Board, Resolution, and Investment Policy, are attached hereto as **Exhibit D**. Mr. Rubinsky discussed the proposed amendments to the District's Investment Policy as outlined in the Memorandum. After discussion on the matter, Director Porter moved that the amended Investment Policy be approved to reflect the proposed changes noted in the Memorandum, that the Board adopt the Resolution, and that the President and Secretary be authorized to execute the Investment Policy and the Resolution on behalf of the Board and the District. Director Barbarino seconded said motion, which unanimously carried.

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 September 25, 2017, a copy of which is attached hereto as **Exhibit E**. 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.

Mr. Anzalotti entered the meeting at this time.

Ms. Falke noted that there were seventy-seven (77) customer accounts listed on the Delinquent Accounts Report this month, and that no customer appeals had been received.

Mr. Rubinsky next advised that EDP had reported to Mr. Laseter during the past month that there is a storm sewer manhole on E. Newport in Harbor Shores Subdivision, Section 1, a private, gated subdivision, that is in need of repair. Mr. Rubinsky advised that, since Harris County will not maintain private streets and storm sewers in private, gated subdivisions, the District would typically enter into an agreement with the responsible homeowners association in such subdivision to ensure any necessary maintenance and repairs are taken care of. However, after researching the District's file, it appears that the District does not have an agreement in place regarding the maintenance and repair of storm sewers and streets repair in Harbor Shores. After discussion, Director Barbarino moved to (i) authorize EDP to maintain and repair when necessary the storm sewers and manholes in Harbor Shores Subdivision, and (ii) authorize EDP to begin performing annual inspections of the storm sewers and manholes in Harbor Shores to

catch any issues before they become major problems. Director Anzalotti seconded said motion, which unanimously carried.

ADOPTION OF RESOLUTION APPROVING TREASURY MANAGEMENT SERVICES AND AUTHORIZING OPERATOR

Ms. Falke next presented and reviewed with the Board a Resolution Approving Treasury Management Services and Authorizing Operator ("Resolution"), which is attached hereto as **Exhibit F**. She stated that EDP has requested the Board adopt the Resolution in order to authorize EDP to transfer its paper lock box program that collects customer payments to Compass Bank. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Witt, and unanimously carried that EDP be authorized to transact business with Compass Bank for such treasury management services, and that the Resolution Approving Treasury Management Services and Authorizing Operator be adopted by the Board.

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 reviewed with the Board an email received from Christina Kelley on behalf of the Towns at Seville Community Association, a copy of said email is attached hereto as **Exhibit G**. In said correspondence, Ms. Kelley reported that large amounts of grass cutting debris were clogging the drainage culverts located at Roesner Road, which has inhibited drainage flow. A discussion ensued regarding Seaback preparing a proposal to maintain said culverts, including desilting the channel and increased boom mowing to every other month. Following discussion, Director Welch moved that the Board authorize Seaback to (i) prepare a proposal to clean all District culverts biannually at the time of reseeding in the months of April and October, desilt all District-owned parts of the drainage outfall channel annually, and increase boom mowing along all District-owned parts of the channel to six times a year, every other month, and (ii) submit said proposal to Van De Wiele for review and approval of same with the provision that Board approval will be needed for all maintenance work over an annual cost of \$3,000. Director Anzalotti seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated September 25, 2017, a copy of which is attached hereto as **Exhibit H**, and discussed the status of various projects within the District.

In connection with the review of proposals for the purchase and installation of a 40 KW natural gas generator to serve the Katy Gap Lift Station, Mr. Laseter advised that upon approval of plans for said project, Van De Wiele will proceed with advertising for bids for same.

In connection with the Water Distribution and Storm Drainage Improvements to serve I-10 Bella Terra Subdivision, Phase III by Harris Construction Company, Ltd. ("Harris"), Mr. Laseter presented Pay Application No. 1 in the amount of \$12,600.00 and Pay Application No. 2 in the amount of \$85,072.23, a copy of which is attached to the Engineering Report, and recommended that the Board concur in the payments of same. Upon motion by Director Welch,

seconded by Director Barbarino and unanimously carried, the Board concurred in the payments by I-10/Katy, Ltd. to Harris of Pay Application No. 1 and Pay Application No. 2, as recommended by Mr. Laseter.

In connection with the Consent to Encroachment and Indemnity Agreement between the District and Dolce at Bella Terra, LLC ("Dolce"), Mr. Rubinsky advised the Board that said Agreement had been approved by the Board at its December 8, 2015 meeting, but due to the delay in receipt of signatures from Dolce, Mr. Rubinsky recommend the Board reapprove same. Following discussion, Director Welch moved that the Consent to Encroachment Agreement and Indemnity Agreement between the District and Dolce be reapproved, and that the President be authorized to execute same on behalf of the Board and the District. Director Witt seconded said motion, which unanimously carried.

In connection with the review of the updated estimated costs of design and construction of the proposed expansion of the Permanent Wastewater Treatment Plant ("WWTP") and of Water Plant No. 2, and status of communications with landowners regarding same, Mr. Rubinsky advised the Board that he will be meeting with Mr. Laseter next week to further discuss the updated cost estimates and to formulate a plan for proceeding with construction of the WWTP Expansion, and will provide an update at the next meeting.

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. Moore next reported on the status of development of 18.23 acres within Moore Heights Subdivision. 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 for water and sewer service in connection with the proposed development of a Whataburger or other fast food restaurant on approximately 1.0419 acres located at 23903 Katy Freeway at Ernestes Road, which was acquired from Texas Petroleum Group, LLC ("TPG"). After discussion, Director Welch moved that the Board approve the issuance of a utility commitment to O.N. Baker as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from Mr. Baker relative to same. Director Barbarino seconded said motion, which unanimously carried.

THE GRAND HARBOR HOMEOWNERS' ASSOCIATION ("HOA")

The Board next considered 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 presented and reviewed with the Board the Special Warranty Deed for the District's acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three from the HOA, and recommended the Board's approval of same,

subject to receipt of the executed Deed from the HOA. Director Anzalotti advised that he will present said Deed for approval at the HOA's next meeting. After discussion, Director Anzalotti moved that the Special Warranty Deed be approved, subject to receipt of signature from HOA. Director Barbarino seconded said motion, which unanimously carried.

The Board deferred review of proposals for installation of structural shades on the HOA playground 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. Mr. Rubinsky further advised the Board that Ms. Talley is preparing a proposal for her services in connection with the implementation of Phase I of the Master Parks Plan, and will send same to Director Witt for review and comments.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

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

DISTRICT WEBSITE

In connection with the status of of the District's website, a discussion ensued regarding adding a notation to customers' water bills to reference the website. Following discussion, Director Welch moved to authorize EDP to add a reference to the District's website to the customers' monthly water bills. Director Witt seconded said motion, which unanimously carried.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. Mr. Rubinsky presented and reviewed with the Board correspondence from the WHCRWA requesting entry to the District's Water Plant site to install an Automated Meter Reading ("AMR") system to read the groundwater well meter, a copy of which is attached hereto as **Exhibit J**. In connection therewith, Mr. Rubinsky then presented and reviewed with the Board the various provisions of the proposed Right of Entry Agreement with WHCRWA, for right of entry onto the District's Water Plant site to install the AMR system. After discussion on the matter, Director Welch moved that the Board approve the Right of Entry Agreement, subject to the correction of the Exhibit attached thereto, and that the President be authorized to execute same on behalf of the Board and the District. Director Anzalotti seconded the motion, which unanimously carried.

Mr. Rubinsky next presented and reviewed correspondence received from the West Harris County Regional Water Authority (the "Authority"), dated August 21, 2017, regarding a proposed increase in its pumpage fee from \$2.45 to \$2.70 per 1,000 gallons of water pumped and in the surface water fee from \$2.85 to \$3.10 per 1,000 gallons, to be effective as of January 1,

2018, as well as a brochure titled "The Rising Cost of Water" in connection therewith, copies of which are attached hereto as **Exhibit K**. Mr. Rubinsky advised that SPH would add an item on the November agenda to amend the District's Rate Order accordingly.

Mr. Rubinsky next presented and reviewed with the Board unsolicited correspondence from Simple Recycling relative to its curbside textile recycling program and inquiring whether the Board is interested in a presentation, a copy of which is attached hereto as **Exhibit L**. After discussion on the matter, the Board concurred that it would not like to receive a presentation from Simple Recycling at this time.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

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

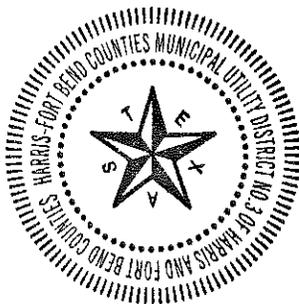
EXECUTIVE SESSION

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 Barbarino and unanimously carried, the meeting was adjourned.

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Dwight W. Welch
Secretary

LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B 2017 Tax Rate Recommendation
- Exhibit C Bookkeeper's Report
- Exhibit D Order Establishing Policy for Investment of District Funds and Appointing Investment Officer, Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer, and Memorandum prepared by SPH in connection therewith
- Exhibit E Operator's Report
- Exhibit F Resolution Approving Treasury Management Services and Authorizing Operator
- Exhibit G Email Correspondence from Christine Kelley of Towns at Seville Community Association dated September 19, 2017
- Exhibit H Engineer's Report
- Exhibit I Harris County Sheriff's Office's Report (July 2017)
- Exhibit J Correspondence from WHCRWA regarding installation of Automated Meter Reading systems and Right of Entry Agreement in connection therewith
- Exhibit K Correspondence from WHCRWA regarding increase in pumpage fees
- Exhibit L Correspondence from Simple Recycling