

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3
Minutes of Board of Directors Meeting
October 23, 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 October 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
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"); 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"); Shannon Coppin of SHB Development ("SHB"); 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 meeting held on September 25, 2017. Following discussion, Director Barbarino moved that the minutes of the Board of Directors meeting held on September 25, 2017, be approved as written. Director Anzalotti seconded said motion, which unanimously carried.

A discussion then ensued regarding the possible rescheduling of the November and/or December 2017 Board of Directors meetings due to holidays. After discussion, the Board concurred to reschedule the December Board of Directors meeting from December 25, 2017 to Monday, December 18, 2017 at 10:00 a.m., and that the November 2017 Board of Directors meeting be held at its normal day and time.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Ahlschlager-Caulde presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of September 30, 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 September 30, 2017, 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 Barbarino seconded said motion, which carried unanimously.

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 October 23, 2017, a copy of which is attached hereto as **Exhibit B**. It was noted that no action was required of the Board at this time in connection with the Delinquent Tax Report.

PUBLIC HEARING REGARDING LEVY OF THE DISTRICT'S 2017 TAX RATE

The Board next conducted a public hearing regarding the proposed levy of a debt service tax rate and a maintenance tax rate for 2017. Ms. Ahlschlager-Caulde then presented an Affidavit of Publication from *The Katy Times* confirming that the notice of the District's intention to set the proposed tax rate and notice of public hearing had been published in accordance with all legal requirements and as directed at the previous meeting, which Affidavit is attached hereto as **Exhibit C**. There being no comments presented from the public, upon motion by Director Welch, seconded by Director Barbarino and unanimously carried, such hearing was closed.

LEVY OF THE DISTRICT'S 2017 TAX RATE

The Board then discussed the setting of the District's 2017 tax rate. After discussion on the matter, Director Welch moved that: (i) the Board adopt and levy a 2017 debt service tax rate of \$0.61 per \$100 of taxable valuation and a 2017 maintenance tax rate of \$0.21 per \$100 of taxable valuation, resulting in a total 2017 tax rate of \$0.82 per \$100 of taxable valuation, and (ii) the Order Levying Taxes, attached hereto as **Exhibit D**, be adopted in connection therewith and the Board President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Barbarino seconded said motion, which carried unanimously.

APPROVE AMENDMENT TO DISTRICT INFORMATION FORM

Mr. Rubinsky presented and discussed with the Board an Amendment to the Second Amended and Restated District Information Form ("DIF") relative to the District's 2017 tax rate, a copy of which is attached hereto as **Exhibit E**. After discussion regarding the Amendment to the DIF, Director Anzalotti moved that the Amendment to the DIF be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Porter seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated October 23, 2017, a copy of which is attached hereto as **Exhibit F**, including the checks

presented for payment from the District's various accounts. After discussion, Director Witt moved that the Board approve the Bookkeeper's Report, including (i) the various checks presented for payment from the District's various accounts, and (ii) additional check no. 5661 from the General Operating Fund to Katy ABC Properties in the amount of \$48,940.36 for 2017 Quarter 2 sales tax reimbursement pursuant to its Development Agreement with the District, subject to the Board's approval of the quarterly Sales Tax Reports and the Developer Reconciliation Report to be presented by Sales Tax Assurance, LLC at its next meeting. Director Barbarino seconded said motion, which unanimously carried.

COMPLIANCE WITH TEXAS GOVERNMENT CODE CHAPTER 2265 RELATIVE TO ENERGY REPORTING

Ms. Crigger advised the Board that the annual energy reporting required to be completed by Chapter 2265 of the Texas Government Code will be presented at the next Board meeting.

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 October 23, 2017, a copy of which is attached hereto as **Exhibit G**. 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 Reports for August and September 2017, Wastewater Plant Discharge Report, Correspondence to the TCEQ dated October 18, 2017 regarding an E. Coli permit violation at the Wastewater Treatment Plant ("WWTP") on September 13, 2017 due to the effects of Hurricane Harvey, Customer Service Report, Delinquent Notice/Service Disconnect Report, and the Delinquent Accounts Report, set forth therein.

Ms. Falke next presented a request for relief from a high water bill of \$24,886.32 due to an undetected leak at the Falcon Ridge Office Condos located at 1526 Katy Gap Road from Mr. Coppin dated September 29, 2017, a copy of which request is attached to the Operator's Report. Mr. Coppin advised the Board that the main pipe in the back of the property became loose, but due to the immense flooding resulting from Hurricane Harvey and inability to access the property due to same, the leak went unnoticed for over ten days resulting in a very high bill. Following a lengthy discussion regarding the specific facts and circumstances, Director Welch moved that the Board (i) wave the water usage charges of \$9,742.00 and the penalty of \$2,262.37, and (ii) require the customer to pay all fees related to the West Harris County Regional Water Authority ("WHCRWA") in the amount of \$12,881.65, but allow same to be paid in two equal monthly installments. Director Anzalotti seconded said motion, which unanimously carried.

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 reminded the Board that Seaback was previously authorized to desilt all District-owned parts of the Drainage Outfall Channel annually, and advised that Seaback has submitted a proposal for same to Van De Wiele dated October 13, 2017, which

reflects a total cost of \$83,811.78, and which Van De Wiele recommends for approval. After discussion, the Board concurred with Mr. Laseter's recommendation, and Director Porter moved to authorize Seaback to perform such de-silting work at a total cost of \$83,811.78, as set forth in Seaback's proposal. Director Welch seconded said motion, which unanimously carried. Mr. Seaback noted that Seaback has been authorized to clean all of the drainage culverts in the Drainage Outfall Channel biannually at the time of reseeding in the months of April and October but recommends waiting until the de-silting project has been completed. He advised that Seaback will be able to present a better proposal for same after the aforementioned desilting is complete.

CORRESPONDENCE FROM HARRIS COUNTY EMERGENCY SERVICES DISTRICT NO. 48 ("NO. 48")

Mr. Rubinsky next presented to and reviewed with the Board correspondence received No. 48 dated October 18, 2017, regarding their undertaking of an Insurance Services Office rating upgrade for fire protection, a copy of which correspondence is attached hereto as **Exhibit H**. Mr. Rubinsky informed the Board that said rating is not specific to the District but rather, may affect insurance rates in the area. He advised that No. 48 has requested to be provided with certain information regarding the District's water distribution system. After discussion, Director Witt authorized EDP to further handle said matter and respond to No. 48 on behalf of the District, as necessary. Director Barbarino seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated October 23, 2017, a copy of which is attached hereto as **Exhibit I**, 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 by Harris Construction Company, Ltd. ("Harris"), Mr. Laseter presented Pay Application No. 3 in the amount of \$196,530.96, a copy of which is attached to the Engineering Report, and recommended that the Board concur in the payment of same. Upon motion by Director Porter, seconded by Director Welch and unanimously carried, the Board concurred in the payment by I-10/Katy, Ltd. to Harris of Pay Application No. 3, as recommended by Mr. Laseter.

In connection with the review of the updated estimated costs for the design and construction of the proposed expansion of the Permanent WWTP and of Water Plant No. 2 and the status of communications with landowners regarding same, Mr. Laseter advised the Board that he had a meeting with Mr. Rubinsky following last month's Board meeting and discussed the updated cost estimates based on different scenarios. A long discussion ensued regarding whether to include the Bing Family's property when analyzing amount of additional capacity required by the District at full buildout and the ultimate size of the proposed WWTP Expansion. Following further discussion, the Board concurred to authorize Van De Wiele to prepare a revised cost estimate for the proposed WWTP Expansion that includes the Bing property and to present same to Dr. Bing for consideration of buying into said project. Mr. Laseter advised the Board that the updated cost estimate will be provided 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. Mr. Laseter next reported on the status of development of I-10/Katy, Ltd 's remaining 13.5 acres and Dolce Bella Terra, LLC's 18.8798 acres. 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 advised the Board that a request for a utility availability letter was received by Smokeslinger, LLC in connection with its proposed development of a 2.00 acre tract under contract to be purchased from I-10/Katy, Ltd. Mr. Rubinsky discussed his communications with John Dierksen, the developer's attorney, regarding same. Mr. Rubinsky then advised that once Smokeslinger, LLC has firm development plans for the proposed tract, a request for a formal Utility Commitment will be presented for the Board's consideration.

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. Anzalotti advised that the attorneys for the HOA are currently reviewing the Special Warranty Deed for the District's acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three from the HOA, and advised that a fully executed Deed will be returned to the District upon approval of same.

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 J**. No action was required of the Board at this time.

DISTRICT WEBSITE

Mr. Rubinsky advised that there was no update regarding the status of the District's website at this time.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. Mr. Rubinsky presented and reviewed with the Board a notice from the WHCRWA regarding its Annual Town Hall Meeting scheduled for October 26, 2017, a copy of which had been previously emailed to the Board on October 19, 2017.

Mr. Rubinsky next advised that the WHCRWA is increasing its surface water fee from \$2.85 per thousand gallons of water to \$3.10 per thousand gallons of water effective January 1, 2018, and that an item would be placed on the agenda to amend the District's Rate Order in connection with same in November 2017.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

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

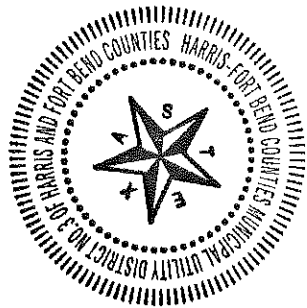
EXECUTIVE SESSION

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 Witt, seconded by Director Anzalotti and unanimously carried, the meeting was adjourned.

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Dwight Witt
Secretary

LIST OF EXHIBITS

Exhibit A	Tax Assessor/Collector's Report
Exhibit B	Delinquent Tax Report
Exhibit C	Affidavit of Publication from <i>The Katy Times</i>
Exhibit D	Order Levying Taxes
Exhibit E	Amendment to the Second Amended and Restated District Information Form
Exhibit F	Bookkeeper's Report
Exhibit G	Operator's Report
Exhibit H	Correspondence from Harris County Emergency Services District No. 48
Exhibit I	Engineer's Report
Exhibit J	Harris County Sheriff's Office's Report