

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting January 22, 2018

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 January 22, 2018, 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"); Ray Arce of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton of FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"); Cathy Falke of Environmental Development Partners, LLC ("EDP"); Mike Baker of Katy ABC Properties ("Katy ABC"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Richard Fletcher and Robin Humphrey 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 meeting held on December 18, 2017. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on December 18, 2017, be approved as written. Director Barbarino 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 December 31, 2017, attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Mr. Arce also presented a Delinquent Tax Roll as of December 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 disbursements from the District's Tax Account identified in said Report be authorized. Director Witt 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 January 22, 2018, a copy of which is attached hereto as **Exhibit B**. After discussion, the Board concurred that no action was required on its part at this time in connection with the Delinquent Tax Report.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, which Resolution is attached hereto as **Exhibit C**. Mr. Rubinsky advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Barbarino, seconded by Director Anzalotti and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board, and that Perdue be authorized to proceed with the collection of the District's 2017 delinquent personal property accounts following proper notice as provided in said Resolution, including the filing of lawsuits, as necessary.

2018 TAX EXEMPTIONS

The Board next considered granting of 2018 tax exemptions. Mr. Rubinsky outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, as amended. He advised that under said provisions, 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 2018, 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 2018, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. Following discussion on the matter, Director Anzalotti 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 2018, and that the Resolution Concerning Exemptions From Taxation attached hereto as **Exhibit D** relative to same be approved and adopted by the Board and the District. Director Witt seconded said motion, which carried unanimously.

CITY OF HOUSTON REQUEST FOR UPDATED LIST OF BUSINESSES

A discussion next ensued concerning a request received from the City of Houston (the "City") that the District review the list of all of the resale permit-holders located within the boundaries of the District's limited annexation area as defined by its Strategic Partnership Agreement ("SPA") with the City and provide updates and/or corrections as necessary. Mr. Rubinsky advised that the City requests the District review and update the list of businesses on an annual basis. He stated that SPH forwarded the request to STA, who responded to the City by the applicable deadline. Thereafter, the Board concurred that no further action was required at this time.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated January 22, 2018, a copy of which is attached hereto as **Exhibit E**, including the checks presented for payment from the District's various accounts. 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. Director Anzalotti seconded said motion, which unanimously carried.

LIST OF QUALIFIED BROKERS

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the District's Investment Policy, the Board is required to review and update, if necessary, such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit F**. Mr. Rubinsky further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but that it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Anzalotti moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the President and Secretary be authorized to execute same. Director Barbarino seconded said motion, which unanimously carried.

MEMORANDUM REGARDING IMPLEMENTATION OF SENATE BILL 622 AND SENATE BILL 625

Mr. Rubinsky next informed the Board that, pursuant to provisions of Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to annually submit certain information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database no later than May 1st of each year. Mr. Rubinsky advised that the information required to be submitted is described in the Memorandum prepared by SPH attached hereto as **Exhibit G**. In connection therewith, Mr. Rubinsky recommended that SPH be authorized to prepare and submit the

information to the Comptroller on behalf of the District. Following discussion, Director Welch moved, Director Anzalotti seconded, and it was unanimously carried that SPH be authorized to prepare the required information for the 2018 reporting period and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database no later than May 1, 2018.

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 Fourth Quarter - 2017, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2017 Quarter 3 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit H**. Following review of said reports, Mr. Fletcher recommended the payment of \$60,333.58 to Katy ABC for 2017 Quarter 3 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 Porter moved that the Sales Tax Report for the Fourth Quarter – 2017 and the development payment of \$60,333.58 to Katy ABC for 2017 Quarter 3 be approved and ratified in all respects, as recommended by STA. Director Anzalotti seconded said motion, which carried unanimously.

Mr. Arce, Ms. Humphrey and Mr. Fletcher 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 January 22, 2018, 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 for December 2017, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, Delinquent Accounts Report, and the Write-Off Report through September 30, 2017, as set forth therein.

Ms. Falke noted that there were ninety-four (94) 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 five (5) 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 Barbarino moved that EDP be authorized to forward the five (5) subject delinquent accounts listed on the Write-Off Report to collections. Director Anzalotti seconded said motion, which carried unanimously.

CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing EDP to provide certain required information to districts that received water through an emergency interconnect with the District during calendar year 2017 in connection with the 2018 Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2018, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during 2017. After discussion on the matter, it was moved by Director Barbarino, seconded by Director Anzalotti and unanimously carried that EDP be authorized to provide the required information as set forth hereinabove.

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. In connection therewith, Mr. Laseter reminded the Board that the desilting, reseeding and fertilizing of all District-owned parts of the Drainage Outfall Channel has been completed by Seaback. He further advised the Board that he is continuing to work with Seaback to obtain a proposal for cleaning out all of the drainage culverts in the Drainage Outfall Channel, as previously authorized by the Board. Mr. Laseter advised the Board that Seaback will present said proposal to the Board for consideration at its next meeting.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board considered authorizing solicitation of proposals for renewal of the District's insurance policies. In that regard, Mr. Rubinsky advised the Board that the District's current insurance coverages are provided through Aquasurance, LLC ("Aquasurance"), and that such coverages will expire on March 31, 2018. Mr. Rubinsky then queried the Board whether SPH should request written proposals from other insurance providers on the District's behalf. After discussion, the Board instructed SPH to solicit only a renewal proposal on behalf of the District from Aquasurance for review at the Board's next meeting.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated January 22, 2018, a copy of which is attached hereto as **Exhibit J**, 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 the Board that Van De Wiele had solicited three (3) written bids in connection with said project, and that all bids were above the \$75,000 threshold, which will require a public advertisement for bids. Following discussion, Director Anzalotti moved that the Board authorize Van De Wiele to advertise for bids for the purchase and installation of a 40 KW natural gas generator to serve the Katy Gap Lift Station. Director Barbarino seconded said motion, which unanimously carried.

In connection with the review of the updated cost estimates 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. Rubinsky advised the Board that, as authorized at the prior Board meeting, SPH is in the process of preparing correspondence to Dr. Bing which sets forth the estimated cost for the Bing Family to participate in the proposed WWTP Expansion project in order to ensure the availability of WWTP capacity to serve its property, while emphasizing the risk of being excluded from same should the Bing Family choose not to participate in said Expansion. The Board concurred that no further action was required on its part at this time.

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. 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 received by the District from Y2 Engineering, Inc. ("Y2") on behalf of Keivans Capital Partners, Series LLC, Series 2, doing business as Tru by Hilton ("Tru by Hilton") for water and sewer service for a proposed Hilton Hotel and a 6,331 square feet of meeting space to be developed on 2 acres located along Ernestes Road. Mr. Laseter advised that Y2 is requesting approximately 11,935 per day, average daily flow, of sanitary sewer capacity and related water capacity to serve the proposed development. Mr. Laseter further noted that Van De Wiele has received the TEC Form 1295 from Tru by Hilton relative to same. After discussion, Director Anzalotti moved that the Board approve the issuance of a utility commitment to Tru by Hilton as requested. Director Porter 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. In connection with the Special Warranty Deed for the conveyance to the District of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three, Mr. Rubinsky reminded the Board that, after reviewing the Declaration of Covenants, Conditions and Restrictions of the HOA and discussing same with the attorney for the HOA, either the HOA must obtain a positive vote from no less than two-thirds of all property owners within the HOA to approve the Deed, or the District can condemn the tract of land using its power of eminent domain. Director Anzalotti advised the Board that the Board of Directors of the HOA is going to work on obtaining the required votes and is currently soliciting bids for the rental of an electronic voting system for said purposes. Director Anzalotti further noted that he will provide an update to the Board regarding said matter at 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 provided its final comments on same to Talley on January 15th so the Plan could be completed. Mr. Rubinsky then reviewed with the Board an email received from Ms. Talley earlier today regarding a draft proposal for Talley's services in connection with the implementation of Phase I of the Master Parks Plan, a copy of which is attached hereto as **Exhibit K**. He further advised that SPH will send a copy of 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 December 2017, a copy of which is attached hereto as **Exhibit L**. No action was required of the Board at this time.

DISTRICT WEBSITE

In connection with the status of the District's website, Mr. Rubinsky reviewed with the Board an email received from Director Anzalotti requesting the website to be reviewed for postings requiring updated, revision or that may be subject to being archived, a copy of which is attached hereto as **Exhibit M**. No action was taken at this time.

ATTORNEY'S REPORT

The Board next considered the Attorney's Report. In that regard, Mr. Rubinsky presented to and reviewed with the Board a memorandum from the West Harris County Regional Water Authority ("WHCRWA") Regarding the 2018 Appointment Process for the WHCRWA Directors and the 2017 Water Usage Reporting Form, a copy of which is attached hereto as **Exhibit N**. Following discussion, Director Welch moved to authorize EDP to prepare the 2017 Water Usage Reporting Form and provide the information required. Director Anzalotti seconded said motion, which unanimously carried.

Mr. Rubinsky next presented to and reviewed with the Board correspondence from Hilltop Securities Inc. ("Hilltop") advising that, effective January 1, 2018, FirstSouthwest, a Division of Hilltop Securities, Inc., officially changed its name to Hilltop, a copy of which is attached hereto as **Exhibit O**.

Mr. Rubinsky also presented to the Board an Annual Disclosure provided by Hilltop relative to MSRB Rule G-10, a copy of which is attached hereto as **Exhibit P**.

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.

SUPPLEMENTAL AGENDA

The Board next considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order") attached hereto as Exhibit Q calling such election to be held on May 5, 2018. It was noted that the terms of office of Directors Welch, Porter and Barbarino expire in May of this year. In reviewing the Order with the Board, Mr. Rubinsky advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Rachel Hollywood as such agent (the "Election Agent"). Mr. Rubinsky further advised the Board that notice of the Directors Election must be given in accordance with the requirements of the Texas Election Code. He advised the Board that notice of the Directors Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. Following discussion of the options, the Board concurred that notice of the Directors Election be given by posting same at the locations where notice of meetings of the Board are posted, as such posting meets all legal requirements under the Texas Election Code. After discussion on the matter, Director Welch moved that said Order be passed and adopted subject to any changes required should polling locations be changed, that the President and Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Anzalotti seconded said motion, which unanimously carried. Mr. Rubinsky advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 20, 2018, then any time after 5:00 p.m. on Friday, February 23, 2018, the Board may cancel the Directors Election in accordance with the Texas Election Code.

The Board next considered the establishment of fees to be paid to officials for the Directors Election. Mr. Rubinsky advised the Board that in accordance with the Texas Election Code, the rate of pay for judges and clerks shall be determined by the Board, but shall not be less than the federal minimum wage rate. After discussion on the matter, Director Welch moved that the judges and clerks for the Directors Election, including early voting clerks, be paid \$10.00 per hour. Director Anzalotti seconded said motion, which unanimously carried.

ADJOURNMENT

There being no further business to come before the Board, upon motion made by Director Welch, seconded by Director Anzalotti and unanimously carried, the meeting was adjourned.




Secretary

LIST OF EXHIBITS

Exhibit A	Tax Assessor/Collector's Report
Exhibit B	Delinquent Tax Report
Exhibit C	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
Exhibit D	Resolution Concerning Exemptions from Taxation
Exhibit E	Bookkeeper's Report
Exhibit F	Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
Exhibit G	Memorandum regarding implementation of Senate Bill 622 and Senate Bill 625
Exhibit H	Sales Tax Report – Fourth Quarter 2017 and Katy Ranch Development Area Reconciliation Report – Quarter 3 2017
Exhibit I	Operator's Report
Exhibit J	Engineer's Report
Exhibit K	Email correspondence and draft of Phase I Proposal from Talley Landscape Architects, Inc.
Exhibit L	Harris County Sheriff's Office's Report
Exhibit M	Email correspondence from Director Anzalotti
Exhibit N	Memorandum from the West Harris County Regional Water Authority Regarding the 2018 Appointment Process for the WHCRWA Directors and the 2017 Water Usage Reporting Form
Exhibit O	Correspondence from Hilltop Securities Inc.
Exhibit P	Annual Disclosure from Hilltop relative to MSRB Rule G-10
Exhibit Q	Order Calling Directors Election