

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting February 26, 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 February 26, 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"); Cathy Wheeler and Miranda Burks of Wheeler & Associates, Inc. ("Wheeler"); Debbie Shelton of Hilltop Securities Inc. ("Hilltop"); 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"); Merrie Talley of Talley Landscape Architects ("Talley"), who entered later in the meeting as noted herein; 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 deferred approval of the minutes of its Board of Directors meeting held on January 22, 2018, until the next meeting.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Wheeler presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of January 31, 2018, attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Wheeler also presented a Delinquent Tax Roll dated as of January 31, 2018, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Barbarino 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 Anzalotti 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 Attorney.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated February 26, 2018, a copy of which is attached hereto as **Exhibit B**, including the checks presented for payment from the District's various accounts, and the Quarterly Investment Report for the period ended December 31, 2017. Mr. Rubinsky recommended that check no. 5776 on the General Operating Fund be held until J.K. Moore's new Letter of Credit has been finalized and received by the District. 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, with check no. 5776 on the General Operating Fund being held until SPH authorizes its release, and that the District's Investment Office be authorized to sign the Quarterly Investment Report on behalf of the Board and the District. Director Anzalotti seconded said motion, which unanimously carried.

STATUS OF AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2017

Mr. Rubinsky advised the Board that McGrath & Co., PLLC ("McGrath") is in the process of preparing the District's Audit Report for the fiscal year ended December 31, 2017, and that the draft Report will be presented for the Board's review and approval at a future 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 February 26, 2018, a copy of which is attached hereto as **Exhibit C**. Ms. Falke discussed various matters contained in the Report and presented and reviewed the Utility Billing Summary, Utility Billing Detail Report, Connection Count, Water Production Report, Commercial Consumption Report, Monthly Operating Report for December 2017, Wastewater Plant Discharge Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein.

Ms. Falke noted that there were fifty-three (53) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke next presented a request from Zakry Zwygart on behalf of Katy Ranch Luxury Apartment Homes dated February 6, 2018, to waive the late fee charge of \$908.47 imposed on the last bill, a copy of which request is attached to the Operator's Report. Ms. Falke advised the Board that the Mr. Zwygart indicated that the Apartment Homes payment was sent on December 20, 2017, but that said payment was sent to EDP's old P.O. Box address, thus not being received by EDP until January 8, 2018. Following discussion regarding the specific facts and circumstances, Director Porter moved that the Board authorize EDP to (i) waive the late fee in the amount of \$908.47 as requested, and (ii) email Mr. Zwygart to advise him of EDP's new P.O. Box address. Director Barbarino seconded said motion, which unanimously carried.

Ms. Falke next presented and reviewed with the Board a Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program, which is attached hereto as **Exhibit D**. After discussion, Director Anzalotti moved that (i) the attached Resolution Approving Submittal of the Water Smart Water Application 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.

RENEWAL OF DISTRICT INSURANCE POLICIES

The Board next considered the renewal of the District's property, boiler and machinery, general cyber liability, law enforcement liability, auto liability, umbrella liability, director and officer liability, and pollution liability insurance coverage, as well as the Directors Position Schedule Bond, and Public Employee Blanket Bond, scheduled to expire March 31, 2018. In that regard, the Board discussed the renewal proposal received from the District's current insurance carrier, AquaSurance, L.L.C. ("AquaSurance"). Mr. Rubinsky advised that the related TEC Form 1295 was provided to the District with an original of said form. After discussion on the matter, Director Welch moved that (i) the AquaSurance proposal be accepted, subject to the new Cyber Security Liability coverage being included in the total annual premium cost for 2018/2019 set forth in the proposal, (ii) the President be authorized to execute same on behalf of the Board and the District, (iii) the District accept the TEC Form 1295 relative to the insurance proposal, and (iv) SPH be authorized to acknowledge receipt of the TEC Form 1295. Director Anzalotti seconded said motion, which unanimously carried. A copy of the accepted proposal from AquaSurance is attached hereto as **Exhibit E**.

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. Seaback advised the Board that the desilting, reseeding and fertilizing of all District-owned parts of the Drainage Outfall Channel has been completed by Seaback and was successful. He further advised the Board that, after seeing the results of said desilting project, he no longer believes it is necessary to present the Board with a proposal for cleaning out all of the drainage culverts in the Drainage Outfall Channel on a regular basis, and recommended that the Board instead authorize Seaback to clean said culverts only when necessary for a one-time fee. The Board concurred with Mr. Seaback's recommendation relative to same.

Mr. Seaback, Ms. Wheeler and Ms. Burks exited the meeting at this time.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated February 26, 2018, a copy of which is attached hereto as **Exhibit F**, 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 bids were received on February 16, 2018, and noted that the low bid was submitted by W. W. Payton

Corporation in the amount of \$100,000.00, with a to completion date of 160 calendar days, and recommended award of contract to same. A bid tabulation of all proposals received is attached to the Engineer's Report. Following discussion, Director Welch moved that the Board authorize the award of the contract to the low bidder, W.W. Payton Corporation, for the purchase and installation of a 40 kW natural gas generator to serve the Katy Gap Lift Station, as recommended by the District's Engineer. Director Barbarino seconded said motion, which unanimously carried.

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. 6 and Final in the amount of \$8,697.06, a copy of which is attached to the Engineering Report, and recommended that the Board concur in the payment of same by I-10/Katy, Ltd. Upon motion by Director Welch, seconded by Director Barbarino and unanimously carried, the Board concurred in the payment by I-10/Katy, Ltd. to Harris of Pay Application No. 6 and Final, as recommended by Mr. Laseter.

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. Laseter reminded the Board that the latest revised cost estimate for the proposed WWTP Expansion ranges from \$5.43 million for a 0.325 MGD expansion to as much as \$7.36 million for an expansion of 0.440 MGD, and that the District's current estimated share of such costs, without including the Bing Family property, is between \$1.08 million and \$2.75 million, depending upon the final proposed capacity of the WWTP Expansion. A lengthy discussion ensued regarding the necessity to proceed with the design of the WWTP Expansion and final efforts contact Dr. Bing regarding 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 and the risk of being excluded from same should the Bing Family choose not to participate in said Expansion. Following discussion on the matter, Director Welch moved to authorize Van De Wiele to proceed with the design of a proposed 0.325 MGD WWTP Expansion, and to prepare a proposal relative to same for the Board's consideration at its next meeting. Director Barbarino seconded said motion, which unanimously carried.

ANNUAL REVIEW OF SURVEY OF WAGE RATE SCALES AND ADOPTION OF RESOLUTION ADOPTING PREVAILING WAGE RATE SCALE FOR CONSTRUCTION PROJECTS

The Board considered the review of an annual survey of prevailing wage rates for construction projects and the adoption of a Resolution in connection therewith. In that regard, Mr. Rubinsky advised the Board that, as required pursuant to Section 2258.022 of the Texas Government Code, the District has previously adopted the applicable United States Department of Labor ("DOL") wage rate scales as the general prevailing wage rates for construction projects by or on behalf of the District. Mr. Rubinsky further advised that the DOL's applicable wage rate scales have been amended. After discussion on the matter, Director Barbarino moved that the new DOL wage rate scales (comprised of three DOL wage determination scales for each project type) be adopted as the District's prevailing wage rate scales for construction projects, and that the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects attached hereto as **Exhibit G** be adopted by the Board. Director Anzalotti 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 various projects within Katy ABC's Katy Ranch Crossing development. Following discussion, the Board concurred that no action was required on its part at this time regarding said matters.

Ms. Talley entered the meeting at this time.

UTILITY COMMITMENTS

The Board considered utility commitment requests and deferred action on the matter after noting that no new requests had been received.

STATUS OF COMMUNICATIONS WITH 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 will be forced to acquire the tract by using its power of eminent domain. Director Anzalotti advised the Board that the Board of Directors of the HOA would like a description and conceptual drawing of the proposed park to be developed on Restricted Reserve "E" to send to all property owners in connection with its request that they vote to approve the conveyance of said tract to the District. Following discussion on the matter, requested that Ms. Talley provide Director Anzalotti with a written description and conceptual drawing of the proposed park, similar to that depicted on page 9 of the Phase I Proposal of the District's Master Parks Plan, to deliver to the Board of Directors of the HOA for forwarding to the property owners within the HOA.

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

Mrs. Talley next presented and reviewed with the Board a revised proposal for design of the District's Master Parks Plan, including map depictions of three (3) phases (also referred to as "priorities") of projects for walking/jogging trails and other park and recreational facilities and landscaping improvements within the District, with estimated budgets for each (the "Plan"), all of which has been previously reviewed by Van De Wiele and SPH. Ms. Talley also presented a final invoice from Talley for its services related to the preparation of said Plan in the amount of \$6,294.93. A copy of said proposal, maps, cost estimates and final invoice for the Plan is attached hereto as **Exhibit H**. Following the presentation, a lengthy discussion ensued regarding the six (6) projects listed in Priority I and the scope of funding available to the District for the implementation of the proposed Plan. Following further discussion on said matter, Director

Welch moved that the Board (i) authorize Talley to proceed with the design of only the Park Site and Middle Basin East projects listed in Priority I of the Plan at this time, and (ii) approve Talley's invoice in the amount of \$6,294.93. Director Anzalotti seconded said motion, which unanimously carried. The Board concurred to defer consideration of approval of the entire Plan at this time, while Director Witt and Director Anzalotti continue to discuss options for funding of future projects within Priority I, and requested Ms. Talley prepare a proposal for the design of the two above projects for the Board's consideration at its next meeting.

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 I**. 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. In connection therewith, Mr. Rubinsky discussed rescheduling the May 2018 Board of Directors meeting due to the SPH office being closed for Memorial Day. After discussion, Mr. Rubinsky advised that SPH would gather available dates to meet in May for the Board to consider at its next meeting.

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.

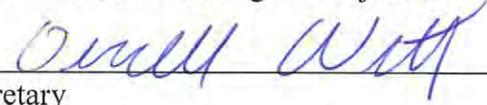
SUPPLEMENTAL AGENDA

The Board next considered cancellation of the Directors Election called for May 5, 2018. Mr. Rubinsky advised that, in accordance with Subchapter C, Chapter 2 of the Texas Election Code, the District may cancel the Directors Election if each candidate whose name is to appear on the ballot and/or has registered as a write-in candidate is unopposed as of 5:00 p.m. on February 20, 2018. In such case, the Board may declare the unopposed candidates to be elected. In that regard, there was presented to the Board a certificate of the Secretary declaring all candidates unopposed. Mr. Rubinsky then presented and reviewed with the Board the Order Declaring Candidates Elected, which is attached hereto as **Exhibit J**. After discussion, Director Witt moved that the Order be adopted by the Board declaring Ron Welch, Cyndal Porter and James Barbarino elected Directors of the District, to serve a term of four years from May 5, 2018, or until a successor is duly elected or appointed, that the President be authorized to execute

and the Secretary to attest same on behalf of the Board and the District, and that the Directors Election called for May 5, 2018, be cancelled. 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	Bookkeeper's Report
Exhibit C	Operator's Report
Exhibit D	Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program
Exhibit E	Aquasurance Insurance Proposal 2018- 2019
Exhibit F	Engineer's Report
Exhibit G	Resolution Adopting Prevailing Wage Rate Scale for Construction Projects
Exhibit H	Final of District's Master Parks Plan and Talley proposal for Phase I Landscape Architectural Services
Exhibit I	Harris County Sheriff's Office's Report
Exhibit J	Order Declaring Candidates Elected