

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting March 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 March 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 Darcé Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"); Mike Ammel of Environmental Development Partners, LLC ("EDP"); Mike Baker of Katy ABC Properties ("Katy ABC"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Scott Stevenson of Simple Recycling, who entered later in the meeting as noted herein; Stephanie Hayes, Adolfo Loredo, and Ben Mousavi of Keivans Hospitality, Inc. ("Keivans"); 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 January 22, 2018 and February 26, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meetings held on January 22, 2018 and February 26, 2018, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Ahlschlager presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of February 28, 2018, attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Ahlschlager also presented a Delinquent Tax Roll dated as of February 28, 2018, 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 from the District's Tax Account identified in said Report 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 Attorney.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated March 26, 2018, a copy of which is attached hereto as **Exhibit B**, 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 the checks presented for payment from the District's various accounts. Director Barbarino seconded said motion, which unanimously carried.

UNCLAIMED PROPERTY REPORT

The Board next considered authorizing the District's consultants to research the District's accounts for unclaimed property and for MAC to prepare an Unclaimed Property Report as of March 1, 2018. After discussion, Director Barbarino moved that EDP, Wheeler and MAC be authorized to research their records to determine whether the District is holding any unclaimed property for the stated period, and that MAC be authorized to prepare an Unclaimed Property Report, if necessary, for the Board's consideration, approval and filing with the Texas State Comptroller prior to July 1, 2018. Director Anzalotti seconded said motion, which unanimously carried.

OPERATOR'S REPORT

The Board next considered the Operator's Report. In connection therewith, Mr. Ammel presented to and reviewed with the Board the Operator's Report dated March 26, 2018, a copy of which is attached hereto as **Exhibit C**. Mr. Ammel 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 February 2018, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein. Mr. Ammel noted that there were sixty-eight (68) customer accounts listed on the Delinquent Accounts Report this month.

Mr. Ammel next advised the Board of an appeal received from Keivans for its tap and installation fee for the proposed Tru by Hilton Hotel. Mr. Mousavi queried EDP as to why there is a 200% charge added to the cost of installation and materials for a non-residential connection. Mr. Ammel advised Mr. Mousavi that said charge is standard for all commercial and non-residential customers pursuant to the terms of the District's Rate Order, as well as the majority of most other utility districts in the Houston area. A lengthy discussion ensued regarding same. Mr. Mousavi then requested that the Board allow Keivans to pay the 200% additional charge in installments. Following discussion on the matter, Director Welch moved to authorize EDP to grant Keivans a six-month payment plan of \$10,000 per month (total of \$60,000) for the additional 200% charge added to the total cost of installation, subject to Keivans paying its initial deposit, and all other costs related to the initial tap fee up front once the meter is connected for

service, including the District's cost of installation (including labor and equipment charges) and materials. Director Porter seconded said motion, which unanimously carried.

Mr. Mousavi, Ms. Hayes, and Mr. Loreda exited the meeting at this time.

PRESENTATION FROM SIMPLE RECYCLING

Mr. Stevenson addressed the Board on behalf of Simple Recycling and discussed the services provided by his company. Mr. Stevenson advised that Simple Recycling does not charge the District or its residents for the service it provides. Following discussion, Director Welch moved that SPH be authorized to review and provide comments to the proposed form of contract between the District and Simple Recycling, and to add an item to the agenda for the Board's next meeting to consider approval of same. Director Anzalotti seconded the motion, which unanimously carried.

Mr. Stevenson exited the meeting at this time.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

Mr. Laseter advised that there was no update regarding the status of maintenance of the District's detention and drainage facilities by Seaback at this time.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated March 26, 2018, a copy of which is attached hereto as **Exhibit D**, and discussed the status of various projects within the District.

The Board deferred approval of the Conveyance and Bill of Sale of Utility Facilities for Water Distribution and Storm Drainage Improvements to serve I-10 Bella Terra Subdivision, Phase III by Harris Construction Company, Ltd. until its next meeting.

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, 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 (over and above funds already advanced by developers for same), 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. Mr. Laseter next reported that it would be necessary to revise the design of the 0.325 MGD WWTP Expansion, which was authorized by the Board at the last meeting, to a 0.320 MGD WWTP Expansion. Following discussion on the matter, Director Welch moved that Van De Wiele be authorized to design of a proposed 0.320 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.

SUBMISSION OF INFORMATION TO RETAIL ELECTRIC UTILITY PROVIDER

Mr. Rubinsky reported that Texas Water Code §13.1396 requires that the District annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, a list of its facilities which qualify for critical load status and various emergency contact information. After discussion on the matter, Mr. Ammel stated that EDP would handle this filing requirement on behalf of the District. Director Barbarino then moved that EDP be authorized to make such annual filing on behalf of the District. Director Welch 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.

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 (the "Deed"), 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. Mr. Anzalotti then advised the Board that the HOA plans to email all property owners within the HOA a link to a website to vote for said purposes. Mr. Rubinsky noted that Ms. Talley is to also 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")

Mr. Rubinsky reminded the Board that Mrs. Talley presented to 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"), specifically focusing on the six (6) projects listed in Priority I and the

scope of funding available to the District for the implementation of the proposed Plan, all of which has been previously reviewed by Van De Wiele and SPH. Mr. Rubinsky then presented the Board with a draft proposal for the design of the Park Site and Middle Basin East projects listed in Priority I of the Plan ("Phase I"), prepared by Talley, as previously requested by the Board, a copy of which is attached hereto as Exhibit E. Following discussion on the matter, the Board concurred to defer consideration of approval of Phase I of Priority I of the Plan until the Deed has been obtained by the District from the HOA.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

The Board next reviewed the Harris County Sheriff's Office's ("HCSO") Contract Report for February 2018, a copy of which is attached hereto as Exhibit F. 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 reported that he had nothing further to report to the Board other than the items previously discussed.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

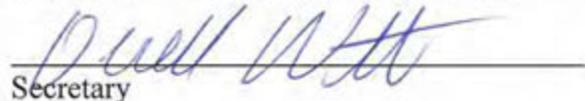
The Board deferred discussion regarding review of the District's consultants' contracts.

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 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	Engineer's Report
Exhibit E	Draft proposal for Phase I projects listed in Priority I of the Plan prepared by Talley
Exhibit F	Harris County Sheriff's Office's Report