

## HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

### Minutes of Board of Directors Meeting April 23, 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 April 23, 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, except Director Anzalotti, thus constituting a quorum.

Also present were Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Cathy Wheeler of Wheeler & Associates, Inc. ("Wheeler"); Cathy Falke 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"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"), who entered later in the meeting as noted herein; Richard Fletcher of Sales Tax Assurance, LLC ("STA"); Mark McGrath of McGrath & Co., PLLC ("McGrath"); and Abraham Rubinsky and Rachel Knight 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 March 26, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on March 26, 2018, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

#### **TAX ASSESSOR-COLLECTOR'S REPORT**

Ms. Wheeler presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of March 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 March 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 Witt seconded said motion, which carried unanimously.

Mr. Moore entered the meeting at this time.

### **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 April 23, 2018, a copy of which is attached hereto as **Exhibit B**. Ms. Wheeler updated the Board on the delinquent 2015 account of Johnny's Pizza House ("Johnny's"). She recommended that the Board move Johnny's delinquent account to the uncollectible tax roll. After discussion on the matter, Director Witt moved that the Board authorize Wheeler to move Johnny's delinquent tax account to the uncollectible tax roll. Director Barbarino seconded said motion, which unanimously carried.

### **RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT REAL PROPERTY TAXES**

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes. Mr. Rubinsky advised that the Board is authorized pursuant to Section 33.07 of the Texas Tax Code, as amended, to impose, under certain conditions on July 1, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on taxes that remain delinquent as of July 1 of the year in which they became delinquent. He noted that the additional penalty to be imposed by this Resolution will not apply to delinquent personal property taxes which have incurred an additional penalty pursuant to that certain Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, which was passed and approved by the District on January 22, 2018. After further discussion, it was moved by Director Witt, seconded by Director Barbarino, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes, which is attached hereto as **Exhibit C**, be adopted by the Board, and that Perdue Brandon be authorized to proceed with the collection of the District's 2017 delinquent real property tax accounts beginning on July 1, 2018, including the filing of lawsuits as necessary, subject to proper notice having been given as provided in said Resolution.

### **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 First Quarter - 2018, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2017 Quarter 4 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit D**. Following review of said reports, Mr. Fletcher recommended the payment of \$65,475.72 to Katy ABC for 2017 Quarter 4 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 Witt moved that the Sales Tax Report for the First Quarter - 2018 and the development payment of \$65,475.72 to Katy ABC

for 2017 Quarter 4 be approved and ratified in all respects, as recommended by STA. Director Barbarino seconded said motion, which carried unanimously.

### **BOOKKEEPER'S REPORT**

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated April 23, 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, except check no. 5813, which was voided. Director Witt seconded said motion, which unanimously carried.

### **ANNUAL AUDIT REPORT FOR THE DISTRICT'S FISCAL YEAR ENDED DECEMBER 31, 2017**

Mr. McGrath presented to and reviewed in detail with the Board a draft of the District's audit report prepared for the fiscal year ended December 31, 2017, a copy of which report is attached hereto as **Exhibit F**. After a thorough review of the audit report presented, Director Welch moved that the audit report for the District's fiscal year ended December 31, 2017, be approved, subject to SPH's final review and approval, that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and that such audit report and Annual Filing Affidavit be filed with the Texas Commission on Environmental Quality ("TCEQ") by the applicable deadline. Director Porter seconded said motion, which unanimously carried.

### **ANNUAL CONTINUING DISCLOSURE REPORT**

The Board next considered the approval of its annual continuing disclosure report due June 30, 2018, relative to the District's outstanding bonds pursuant to United States Securities and Exchange Commission Rule 15c2-12. Mr. Rubinsky presented and reviewed with the Board an Annual Financial and Operating Report prepared by the District's Disclosure Counsel, Norton Rose Fulbright US L.L.P. ("Norton Rose"), together with a Resolution of the Board approving said Report and authorizing the filing of same, in compliance with U.S. Securities and Exchange Commission Rule 15c2-12, which Resolution and Report are attached hereto as **Exhibit G**. Mr. Rubinsky then advised that, upon receipt of the final audit report for the District's fiscal year ended December 31, 2017, from McGrath, Norton Rose will file on behalf of the District the required Annual Financial and Operating Report.

After further discussion, Director Welch moved that (i) the Annual Financial and Operating Report be approved by the Board, subject to final review and approval by SPH, (ii) the Resolution be adopted by the Board and that the President be authorized to execute same on behalf of the Board and District, and (iii) Norton Rose be authorized to file same with the appropriate repositories prior to June 30, 2018. Director Barbarino seconded said motion, which unanimously carried.

## **ANNUAL ARBITRAGE ANALYSIS REPORT**

Mr. Rubinsky presented and reviewed the Annual Maintenance for Arbitrage Analysis Report ("Report") dated March 28, 2018, prepared by Municipal Risk Management Group, L.L.C., a copy of which is attached hereto as **Exhibit H**, and reviewed same with the Board.

Mr. Rubinsky then presented and reviewed with the Board two (2) engagement letters from Arbitrage Compliance Specialists, Inc. ("ACS") for preparation of the Arbitrage Rebate Reports for the District's (i) \$6,780,000 Unlimited Tax Bonds, Series 2009 Final Year Arbitrage Rebate Report, and (ii) \$6,270,000 Unlimited Tax Bonds, Series 2013 5<sup>th</sup> Year Arbitrage Rebate Report (collectively, the "ACS Engagement Letters"). He then advised the Board of the proposed fees in connection with preparation of each report, and advised that the required TEC Form 1295s have been received by SPH to accompany each engagement letter. After discussion on the matter, Director Welch moved that (i) ACS be engaged to prepare the Arbitrage Rebate Reports in accordance with such ACS Engagement Letters, (ii) that the President be authorized to execute the ACS Engagement Letters on behalf of the Board and District, and (iii) SPH be authorized to acknowledge the TEC Form 1295s received in connection with the ACS Engagement Letters. Director Porter 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 April 23, 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 March 2018, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein. Ms. Falke noted that there were fifty-seven (57) customer accounts listed on the Delinquent Accounts Report this month.

## **RENEWAL OF GENERATOR RENTAL AGREEMENT**

Ms. Falke then presented and reviewed with the Board a proposed 2018 Generator Rental Agreement between the District and EDP for the upcoming Hurricane Season, a copy of which is attached to the Operator's Report. She noted that the term of the Agreement begins June 1, 2018 and ends November 30, 2018, and that said Agreement provides for a lease rate of \$2,500 per month. After discussion on the matter, Director Barbarino moved that the Board approve the 2018 Generator Rental Agreement with EDP, accept the related Texas Ethics Commission ("TEC") Form 1295, and authorize the President to execute such Agreement on behalf of the Board and the District. Director Porter seconded the motion, which carried unanimously.

## **ANNUAL REPORT REGARDING IDENTITY THEFT PREVENTION PROGRAM**

The Board next considered the status of the District's Identity Theft Prevention Program (the "Program"). In connection therewith, Ms. Falke presented EDP's annual report as Administrator of the Program, a copy of which is included in the Operator's Report, and advised the Board regarding the District's experience with identity theft during the prior year, current

identity theft methods, the types of accounts maintained by the District and the District's business arrangements with other entities. Ms. Falke advised that EDP is not recommending any changes be made to the District's Program at this time. After discussion on the matter, the Board concurred that no changes were necessary to the Program at this time.

### **CONSUMER CONFIDENCE REPORT**

The Board next considered authorizing EDP to prepare a draft Consumer Confidence Report ("CCR") for review by the Board. Mr. Rubinsky advised that pursuant to the CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ, the District is required to provide a report containing various information regarding the District's water supply to all customers of the District by July 1, 2018. After discussion on the matter, it was moved by Director Welch, seconded by Director Porter and unanimously carried, that EDP be authorized to prepare a draft of the annual CCR and SPH be authorized to review same for compliance with the TCEQ's regulatory requirements and its 2018 template.

### **PRESENTATION FROM SIMPLE RECYCLING**

Mr. Rubinsky reminded the Board of the proposed recycling services contract between the District and Simple Recycling, as previously discussed at its last meeting. Following discussion, Director Witt moved (i) the proposed contract between the District and Simple Recycling be approved, subject to SPH reviewing and providing comments to the form of same to Simple Recycling, and (ii) SPH be authorized to acknowledge the TEC Form 1295 received in connection therewith. Director Barbarino seconded the 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 Maintenance, Inc. ("Seaback"). Mr. Laseter presented and reviewed with the Board, the proposal he had received from Seaback for overseeding and fertilizing of the Harris County Flood Control District ("HCFC"), Unit No. 506-02-00 "Moore Heights Detention Pond" at a cost of \$6,778.90, a copy of which is attached hereto as **Exhibit J**. After discussion, Director Welch moved to approve the proposal for the overseeding and fertilizing of the Moore Heights Detention Pond at a cost of \$6,778.90. 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 April 23, 2018, a copy of which is attached hereto as **Exhibit K**, and discussed the status of various projects within the District.

In connection with the status of design of the proposed 0.320 MGD Expansion of the Permanent WWTP, Mr. Laseter presented and reviewed with the Board a proposal he had received from Windrose Surveying for a Boundary Survey and Topographic and Utility Survey of the WWTP site at a cost of \$6,320.00, a copy of which is attached to the Engineer's Report. After discussion, Director Welch moved to approve of the proposal for the Boundary Survey and

Topographic and Utility Survey at a cost of \$6,320.00. Director Barbarino 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. 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 13.5 acres within I-10/Katy, Ltd. 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. Rubinsky then advised that SPH is in the process of reviewing a written description and conceptual drawing of the proposed park prepared by Talley Landscape Architects, Inc., 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 further reminded the Board that a draft proposal for the design of the Park Site and Middle Basin East projects listed in Priority I of the Plan ("Phase I"), has been received from Talley, as previously requested by the Board. 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 L**. 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.

### **NOTICE OF TERMINATION OF FINANCIAL ADVISORY CONTRACT; ENGAGEMENT OF MASTERSON ADVISORS LLC**

Ms. Shelton addressed the Board regarding her decision to terminate her employment with Hilltop Securities, Inc. ("Hilltop") and transition to a newly formed financial advisory firm, Masterson Advisors LLC ("Masterson"). She then discussed the services provided by Masterson, responded to questions from the Board, and presented to and reviewed with the Board a Financial Advisory Contract between the District and Masterson. Upon discussion, it was moved by Director Welch, seconded by Director Porter and unanimously carried, that the Board (i) terminate the Financial Advisory Contract between the District and Hilltop, (ii) authorize the President to execute a notice of termination to Hilltop in accordance with said contract, requesting a waiver of the thirty (30) day notice of termination provision. The Board concurred to consider the approval of a new Financial Advisory Contract with at its next meeting.

### **ATTORNEY'S REPORT**

The Board next considered the Attorney's Report. Mr. Rubinsky next presented to and reviewed with the Board correspondence from the West Harris County Regional Water Authority ("WHCRWA"), dated March 26, 2018, regarding surface water delivery interruptions, a copy of which is attached hereto as **Exhibit M**. Following discussion, no action was required of the Board 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 Porter 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 Real Property Taxes
Exhibit D	Sales Tax Report –Fourth Quarter 2017 and Katy Ranch Development Area Reconciliation Report
Exhibit E	Bookkeeper's Report
Exhibit F	Draft Audit Report for Fiscal Year Ended December 31, 2017
Exhibit G	Annual Continuing Disclosure Report and Resolution related thereto
Exhibit H	Annual Maintenance for Arbitrage Analysis Report prepared by Municipal Risk Management Group
Exhibit I	Operator's Report
Exhibit J	Proposal for seeding and fertilizing Moore Heights Detention Pond received from Seaback Maintenance, Inc.
Exhibit K	Engineer's Report
Exhibit L	Harris County Sheriff's Office's Report
Exhibit M	Correspondence received from the West Harris County Regional Water Authority