

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Special Board of Directors Meeting May 24, 2018

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in special session at the Board's regular meeting place on May 24, 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"); Darcé Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"); Cathy Falke of Environmental Development Partners, LLC ("EDP"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); 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 April 23, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on April 23, 2018, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

ACCEPTANCE OF QUALIFICATION STATEMENTS, BONDS, AFFIDAVITS OF CURRENT DIRECTORS AND OATHS OF OFFICE FOR DIRECTORS

The Board considered the acceptance of Official Bonds, Qualification Statements, Affidavits of Current Director, and Oaths of Office for Directors Welch, Porter and Barbarino. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Witt and unanimously carried that the Board approve said Bonds, accept said Qualification Statements, Affidavits of Current Director, and Oaths of Office and declare Ron Welch, Cyndal Porter, and James Barbarino to be duly elected and qualified Directors of the District.

ELECTIONS NOT TO DISCLOSE CERTAIN INFORMATION

The Board next considered the acceptance of the Elections Not to Disclose Certain Information from the recently elected candidates and the current Directors of the Board whose terms of office will expire in May 2020. In that regard, the Directors presented their Elections Not to Disclose Certain Information. After discussion on the matter, Director Anzalotti moved to accept said Elections Not to Disclose Certain Information. Director Witt seconded said motion, which unanimously carried.

ELECTION OF OFFICERS OF BOARD OF DIRECTORS

The Board next considered the reorganization of the officers of the Board. After discussion, the Board concurred that the current officer positions of the Board remain the same.

DISTRICT REGISTRATION FORM

The Board next considered approving an updated District Registration Form required to be submitted to the Texas Commission on Environmental Quality (the "TCEQ"). Mr. Rubinsky explained that, in accordance with the Texas Water Code, municipal utility districts are required to file names, mailing addresses, officer positions and the terms of office of new or elected directors with the TCEQ within thirty days (30) after an election or appointment. He advised that, with the Board's approval, SPH will prepare an updated the District Registration Form to include Directors Welch's, Porter's and Barbarino's new terms of office and file same with the TCEQ. After further discussion of the matter, Director Anzalotti moved that the Board authorize SPH to complete the District Registration Form as discussed and file same with the TCEQ. Director Witt seconded said motion, which unanimously carried.

PREPARATION AND MAINTENANCE OF LOCAL GOVERNMENT OFFICERS LIST

Mr. Rubinsky next advised the Board that, pursuant to Chapter 176 of the Texas Local Government Code, the District is required to maintain a list of Local Government Officers, which includes the members of the Board and the District's Investment Officers in connection with conflict of interest disclosure requirements. After discussion on the matter, Director Anzalotti moved that the District prepare and maintain a list of local government officers as required by law. Director Witt 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 April 30, 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 April 30, 2018, 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 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 May 24, 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 March 31, 2018. 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, and that the District's Investment Officer be authorized to sign the Quarterly Investment Report on behalf of the Board and the District. Director Porter seconded said motion, which unanimously carried.

UNCLAIMED PROPERTY REPORT

Ms. Crigger presented to and reviewed with the Board an Unclaimed Property Report prepared by MA&C for the period March 1, 2016 through February 28, 2017, a copy of which is attached hereto as **Exhibit C**, and stated that the District has \$1,434.50 in unclaimed funds to escheat to the State Comptroller for the subject reporting period. After discussion, Director Barbarino moved that MA&C be authorized to file said Report with and remit said funds to the State Comptroller prior to July 1, 2018, in accordance with applicable law. Director Anzalotti seconded said motion, which unanimously carried.

ENGAGEMENT OF MASTERSON ADVISORS LLC

The Board next recognized Ms. Shelton, who reminded the Board of 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. Following discussion, it was moved by Director Welch, seconded by Director Barbarino and unanimously carried, that the Board approve the Financial Advisory Contract with Masterson and accept the TEC Form 1295 from Masterson and authorize SPH to acknowledge receipt of same.

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 May 24, 2018, a copy of which is attached hereto as **Exhibit D**. 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 April 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 sixty-four (64) customer accounts listed on the Delinquent Accounts Report this month.

RATIFY ANNUAL REPORT REGARDING IDENTITY THEFT PREVENTION PROGRAM

The Board next considered ratifying the Board's prior approval of the Operator's Annual Report regarding the District's Identity Theft Prevention Program (the "Program") addressed at last month's meeting. In connection therewith, Ms. Falke reminded 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, and advised that EDP did not recommend any changes be made to the District's Program in their Annual Report. After discussion on the matter, the Board moved to ratify its prior approval of the Operator's Annual Report, in all respects, and to make no changes to the Program.

APPROVAL OF EMERGENCY GENERATOR RENTAL AGREEMENT

Ms. Falke next presented the Board with a 2018 Generator Rental Agreement between the District and NTS Rentals, LLC ("NTS") in connection with the rental of a 20 KW generator to serve the Katy Gap Lift Station for the upcoming Hurricane Season. She reiterated that the term of the Agreement began June 1, 2018 and ends November 30, 2018, and that said Agreement provides for a lease rate of \$400 per month. After discussion on the matter, Director Barbarino moved to approve the 2018 Generator Rental Agreement with NTS, 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 Anzalotti seconded the motion, which carried unanimously.

CONSUMER CONFIDENCE REPORT

The Board next considered approval of the 2017 Consumer Confidence Report ("CCR"). Ms. Falke presented and reviewed with the Board the District's CCR pamphlet, a copy of which is attached to the Operator's Report as **Exhibit D**. Mr. Rubinsky reminded the Board that pursuant to 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. He further noted that SPH has reviewed and provided comments to the draft CCR. After discussion on the matter, Director Barbarino moved that the 2017 CCR be approved, and that the Operator be authorized to distribute same to the District's customers prior to July 1, 2018. Director Anzalotti seconded the motion, which unanimously carried.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

Mr. Laseter advised that there was nothing new to report relative to the status of maintenance of the District's detention and drainage facilities by Seaback Maintenance, Inc.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated May 24, 2018, a copy of which is attached hereto as **Exhibit E**, 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 Wastewater Treatment Plant ("WWTP"), a lengthy discussion ensued regarding Director Welch's communications with Dr. Paul Bing regarding the estimated cost for the Bing Family to participate in the Permanent WWTP Expansion project and various options related thereto. The Board expressed its continuing concern regarding the availability of WWTP capacity to serve said property in the long run and the risk of the property not having capacity should the Bing Family choose not to participate in said Expansion. Following discussion on the matter, Director Welch moved to authorize Van De Wiele and SPH to prepare a proposal setting forth the options and related costs for participation in the Permanent WWTP Expansion and to present such information to Dr. Bing for further consideration. Director Witt seconded said motion, which unanimously carried.

Mr. Rubinsky next reviewed the Consent to Encroachment and Indemnity Agreement with Kingsland Delta OH, LLC ("Kingsland Delta"), and advised that "Exhibit C" was revised to reflect the various District easements which are being encroached upon by improvements constructed on Kingsland Delta's property. Following discussion on the matter, Director Witt moved that the revised Consent to Encroachment Agreement and Indemnity Agreement between the District and Kingsland Delta be approved, subject to acceptance and execution by Kingsland Delta, and that the President be authorized to execute same on behalf of the Board and the District. Director Anzalotti seconded said motion, which unanimously carried.

Ms. Ahlschlager exited the meeting at this time.

DEVELOPERS' REPORTS

The Board deferred consideration of the Developers Reports after noting that no developer representatives were present at the meeting.

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.

In connection with the status with the installation of structural shades on the HOA playground, Director Anzalotti advised the Board that he will provide an invoice relative to the project upon receipt of same from the HOA.

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

A brief discussion followed regarding the draft proposal for the design of the Park Site and Middle Basin East projects listed in Priority I of the Master Parks Plan ("Phase I"), previously received from Talley. The Board concurred to defer consideration of approval of Phase I of Priority I of the Plan until the Deed to the Park Site 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 April 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 Witt 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	Unclaimed Property Report
Exhibit D	Operator's Report
Exhibit E	Engineer's Report
Exhibit F	Harris County Sheriff's Office's Report