

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting June 25, 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 June 25, 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 of Wheeler & Associates, Inc. ("Wheeler"); Cathy Falke of Environmental Development Partners, LLC ("EDP"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Mike Baker of Katy ABC Properties ("Katy ABC"); 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 May 24, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on May 24, 2018, be approved as written. Director Porter 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 May 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 May 31, 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 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. After discussion, Director Barbarino 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.

ANNUAL ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky next advised the Board that Arbitrage Compliance Specialists, Inc. had prepared the Arbitrage Rebate Calculation Report for the Final Computation Period related to the District's Series 2009 Bonds, and presented and reviewed same in detail with the Board, a copy of which is attached hereto as **Exhibit C**. Mr. Rubinsky noted that there is no Final Rebate payment due to the Internal Revenue Service related to said bond issue. After discussion, the Board concurred that no action was required in connection with such report 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 June 25, 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 May 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 forty-seven (47) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke next updated the Board on the status of the payment plan for Keivans Hospitality, Inc. ("Keivans") in connection with the payment of the tap fee for the proposed Tru by Hilton Hotel. She reminded the Board that EDP was previously authorized 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. Ms. Falke advised that Keivans has not fulfilled its payment of \$10,000 per month for the past two months, as required. A discussion ensued relative to same. Following discussion on the matter, Director Anzalotti moved to authorize EDP to remove Keivans' temporary service meter if Keivans fails to become current on its payments due to the District by the end of next week, and to not reinstall

said meter until Keivans pays the total amount of the outstanding tap fee. Director Porter seconded said 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. In connection therewith, Mr. Laseter advised the Board that the drainage culverts in the Drainage Outfall Channel are clogged again. He further advised that a proposal is being prepared by Seaback to clean out all of said culverts for a one-time fee. Following discussion on the matter, Director Witt moved to authorize Director Welch to review and approve the proposal from Seaback on behalf of the District relative to cleaning out all of the drainage culverts in the Drainage Outfall Channel for a one-time fee, and to request a recommendation from Seaback as to how to proceed with the maintenance of said culverts moving forward. 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 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 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 Project. 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 the Bing Family's 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.

In connection with the proposed acquisition of Water Plant No. 2 site, Mr. Rubinsky advised that SPH has requested an updated commitment for title insurance for the Water Plant No. 2 site, as well as property reports related to the required Sanitary Control Easement and Water Line Easement in order to have same prepared to present to Dr. Bing at the aforementioned meeting in related to the Bing Family's participation in the Permanent WWTP Expansion project.

DEVELOPERS' REPORTS

The Board next considered the Developers' Reports. In connection therewith, Mr. Baker provided a detailed update regarding the status of 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. 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.

Mr. Rubinsky next advised the Board that SPH received an email from Kelly Gard of KGA DeForest Design, LLC ("KGA") on June 20, 2018, requesting a copy of the District's Master Parks Plan prepared by Talley in order to incorporate some of the District's proposed improvements reflected therein in to its master plan for the City of Katy's Boardwalk Improvements. The Board expressed some concern that the Master Parks plan prepared by Talley may be somewhat misleading to KGA and the City of Katy since it reflects an all-inclusive wish list of improvements that cannot likely be entirely financed and constructed by the District due to economic limitations. Following further discussion on the matter, the Board concurred to authorize SPH to send a copy of the complete Master Parks Plan to KGA, but to remove the design of the Katy Boardwalk Trail since it is unlikely the District will ever be able to finance and construct that specific project.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

The Board next reviewed the Harris County Sheriff's Office's ("HCSO") Contract Report for May 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.

RECORDS DESTRUCTION REQUEST

Mr. Rubinsky next reported that the District's General Records Retention Schedule adopted in connection with its Records Management Program requires that the hand written notes taken during Board meetings which are used to prepare the official minutes of Board meetings must be retained for ninety (90) days after approval of such minutes by the Board. He next presented a request from the Records Management Officer for approval to destroy all such notes from December 31, 2016, through February 26, 2018, as allowed by said Schedule. After discussion, Director Anzalotti moved that SPH be authorized to destroy all of said notes, as set forth above. Director Barbarino seconded said motion, which carried unanimously.

VOTING SYSTEM ANNUAL FILING FORM

The Board next considered authorizing the completion, execution and filing with the Texas Secretary of State of a Voting System Annual Filing Form relative to District elections. Mr. Rubinsky advised that, pursuant to Section 123.061 of the Texas Election Code, each political subdivision in the State of Texas is required to complete and file said Form with the Secretary of State's Office. After discussion, Director Anzalotti moved that SPH be authorized to complete, execute and submit the Voting System Annual Filing Form to the Texas Secretary of State's Office on behalf of the Board and the District. Director Porter seconded said motion, which unanimously carried.

RESIGNATION OF DISCLOSURE COUNSEL

The Board deferred consideration of the resignation of the District's Special Disclosure Counsel and Continuing Disclosure Counsel, Norton Rose Fulbright US, LP ("Norton"), until its next meeting.

ENGAGEMENT OF DISCLOSURE COUNSEL

The Board deferred consideration of the engagement of McCall, Parkhurst & Horton, LLP ("MPH") as Disclosure Counsel for the District until its next meeting.

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 Anzalotti, seconded by Director Barbarino 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	Arbitrage Rebate Calculation Report for Final Computation Period prepared by Arbitrage Compliance Specialists, Inc. in connection with Series 2009 Bonds
Exhibit D	Operator's Report
Exhibit E	Engineer's Report
Exhibit F	Harris County Sheriff's Office's Report