

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting July 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 July 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, 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"); Mike Baker of Katy ABC Properties ("Katy ABC"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Richard Fletcher of Sales Tax Assurance, LLC ("STA"), who entered later in the meeting as noted herein; Brad Seaback of Seaback Maintenance, Inc. ("Seaback") 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 June 25, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on June 25, 2018, be approved as written. Director Anzalotti 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 June 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 June 30, 2018, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Witt 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

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 July 23, 2018, a copy of which is attached hereto as **Exhibit B**. A discussion ensued regarding the delinquent 2014-2016 account of Eduardo Pizzino/Taco Xpress ("Pizzino"). Following discussion, Director Welch moved to authorize Perdue Brandon to file suit for the collection of Pizzino's delinquent account in the amount of \$583.62. Director Anzalotti seconded said motion, which unanimously carried.

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 the absence of Mr. Fletcher, Mr. Rubinsky presented and reviewed with the Board a SPA STAR Report for the Second Quarter - 2018, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2018 Quarter 1 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit C**. Following review of said reports, Mr. Rubinsky reported that SPH recommends payment of \$98,701.35 to Katy ABC for 2018 Quarter 1 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 Second Quarter – 2018 and the development payment of \$98,701.35 to Katy ABC for 2018 Quarter 1 be approved, 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 July 23, 2018, a copy of which is attached hereto as **Exhibit D**, 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. Director Anzalotti 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 July 23, 2018, a copy of which is attached hereto as **Exhibit E**. 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, Wastewater Plant Discharge Report, correspondence to the Texas Commission on Environmental Quality ("TCEQ") regarding an acute violation of the permitted limits of E. coli at the Wastewater Treatment Plant on June 13, 2018, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein. Ms. Falke noted that there were seventy-six (76) 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 and materials related to the tap, 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 tap was installed on July 2, 2018, and that the first payment of \$10,000 is due this month.

Mr. Fletcher entered the meeting at this time.

Ms. Falke next requested the Board's authorization to write off the two (2) delinquent accounts listed in her report, and to forward said accounts to PenCredit for further collection action on behalf of the District. After discussion, Director Welch moved that EDP be authorized to forward the two (2) subject delinquent accounts listed on the Write-Off Report to collections. Director Anzalotti seconded said motion, which carried unanimously.

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 that the cleaning of the drainage culverts in the Drainage Outfall Channel has been completed, and that Director Welch reviewed and approved the proposal from Seaback on behalf of the District relative to said project for a one-time fee of approximately \$546.00, as previously authorized at the last meeting.

Mr. Seaback next advised that significant accumulation of sand deposits were found in the I-10 BellaTerra detention pond. A discussion ensued regarding the options available to remove said sand. Following discussion on the matter, Director Anzalotti moved to authorize Seaback to oversee and fertilize the detention pond with double the normal amount of rye grass and fertilizer per acre during the scheduled service in the fall, as recommended by Seaback. 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 July 23, 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 status of design of the proposed 0.320 MGD Expansion of the Permanent Wastewater Treatment Plant ("WWTP"), Mr. Laseter advised that the topographic survey of the WWTP site has been completed. Mr. Rubinsky then advised the Board that Van De Wiele and SPH are continuing to work on a proposal setting forth the options and related costs for the Bing Family's participation in the Permanent WWTP Expansion, and expect to present such information to Dr. Bing for further consideration in the near future.

In connection with the proposed acquisition of the Water Plant No. 2 site and related property interests, Mr. Rubinsky advised the Board that SPH has prepared the Special Warranty Deed, the required Sanitary Control Easement and a 10' Water Line Easement for presentation to Dr. Bing at the aforementioned meeting related to the Bing Family's participation in the Permanent WWTP Expansion project.

In connection with a certain Water Meter Easement required from Keivans Capital Partners Series LLC, Series 2 ("Keivans Capital"), Director Anzalotti moved to approve and accept the subject Water Meter Easement, subject to SPH's final review and approval of the executed documents once returned by Keivans Capital. Director Barbarino seconded said motion, which unanimously carried.

In connection with 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 constructed by Harris Construction Company, Ltd., Mr. Rubinsky reported that SPH had received the executed Conveyance and related TEC Form 1295 from I-10/Katy, Ltd. Therefore, Director Anzalotti moved to accept said Conveyance and to authorize SPH to acknowledge receipt of the TEC Form 1295 relative to same from I-10/Katy, Ltd. Director Barbarino seconded said motion, which unanimously carried.

In connection with the status of communications with representatives of the West Harris County Regional Water Authority ("WHCRWA") regarding its desire to acquire certain Water Line Easements from the District and certain landowners within the District for the construction of a 60-inch surface water transmission line, Mr. Rubinsky advised that SPH has reviewed various Easements and have provided comments to same to the WHCRWA.

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 next considered the issuance of utility commitments. In connection therewith, Mr. Rubinsky reminded the Board of a request for a utility commitment received by the District from Smokeslinger, LLC ("Smokeslinger") for water and sewer service for a proposed 2.00 acre tract under contract to be purchased from I-10/Katy, Ltd. After discussion, Director Welch moved that the Board authorize SPH to prepare a utility commitment to Smokeslinger, as requested, and present same to the Board for final approval next month. Director Anzalotti seconded said motion, which unanimously carried.

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 an invoice will be provided to the District next month 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 reminded 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. He further reminded that the Board previously 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. Mr. Rubinsky then recommended sending the entire Master Parks Plan to KGA with disclosure that the Katy Boardwalk Trail will most likely not be constructed as reflected in the Plan due to financial constraints. 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 disclose to KGA specifically that the design of the Katy Boardwalk Trail is unlikely to ever be financed and constructed by the District.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

The Board next reviewed the Harris County Sheriff's Office's ("HCSO") Contract Report for June 2018, a copy of which is attached hereto as **Exhibit G**. 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.

RESIGNATION OF DISCLOSURE COUNSEL

The Board next considered the acceptance of the resignation of Norton Rose Fulbright US LLP ("Norton") as special disclosure counsel and continuing disclosure counsel for the District. In that regard, Mr. Rubinsky advised the Board that Jana Cogburn has resigned her position at Norton and has assumed a position at McCall Parkhurst & Horton, L.L.P. ("McCall"). Following discussion, Director Anzalotti moved that the resignation of Norton be accepted and that the President be authorized to execute the letter of resignation received from Norton on behalf of the Board and the District, with such resignation to be effective as of July 1, 2018. Director Witt seconded said motion, which unanimously carried.

ENGAGEMENT OF DISCLOSURE COUNSEL

The Board next considered the engagement of McCall, Parkhurst & Horton L.L.P. ("MPH") as the District's Special Disclosure Counsel and Continuing Disclosure Counsel. In connection therewith, Mr. Rubinsky presented for the Board's consideration and approval an engagement letter from MPH proposing that MPH serve in the capacity of Special Disclosure Counsel and Continuing Disclosure Counsel to the District. After discussion on the matter, Director Anzalotti moved that the Board approve the engagement letter provided by MPH and authorize the engagement of MPH as the District's Special Disclosure Counsel and Continuing Disclosure Counsel, and that SPH be authorized to acknowledge the District's receipt of the associated TEC Form 1295 provided by MPH. Director Witt seconded said motion, which unanimously carried.

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.

SALES TAX COLLECTIONS MONITORING SERVICE

Mr. Fletcher next addressed the Board regarding the Sales Tax Reports previously discussed during today's meeting. Mr. Rubinsky queried Mr. Fletcher regarding the discrepancy in calculation between the payment of \$98,701.35 to Katy ABC for 2018 Quarter 1 in accordance with the terms of the Development Agreement between the District and Katy ABC, and the current Sales Tax Revenue History reflected in the Bookkeeper's Report. A long discussion ensued regarding same. Mr. Fletcher advised the Board that there is a three-month lag time to allocate sales taxes; therefore, the numbers reflected in the Bookkeeper's Report will not match the calculations in the Sales Tax Reconciliation Summary.

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	Delinquent Tax Report
Exhibit C	Sales Tax Report –First Quarter 2018 and Katy Ranch Development Area Reconciliation Report
Exhibit D	Bookkeeper's Report
Exhibit E	Operator's Report
Exhibit F	Engineer's Report
Exhibit G	Harris County Sheriff's Office's Report