

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting August 27, 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 August 27, 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"); Ray Arce 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"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); 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 July 23, 2018. Following discussion, Director Porter moved that the minutes of the Board of Directors meeting held on July 23, 2018, be approved as written. Director Anzalotti seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of July 31, 2018, attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Mr. Arce also presented a Delinquent Tax Roll dated as of July 31, 2018, a copy of which is included in the Tax Assessor-Collector's Report. After discussion, Director Porter 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.

Mr. Rubinsky reported that the District had received correspondence related to the 2017 delinquent account of Thompson Brothers Consulting & Investments LLC (account no.

1367320010004) requesting a waiver of penalty and interest on said account due to an error made by the Harris County Appraisal District ("HCAD"), which included correspondence from HCAD admitting to the error, copies of which are attached hereto as **Exhibit B**. A discussion then ensued regarding same. After further discussion, Director Porter moved that the Board (i) grant Thompson's request for the waiver of penalty and interest on the subject 2017 delinquent tax account due to HCAD's error, and (ii) void check no. 1818 issued to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon") on the Tax Account due to the waiver of penalty and interest on the Thompson account. Director Anzalotti seconded the 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, the District's Delinquent Tax Collections Attorneys, this month.

2018 TAX RATE RECOMMENDATION

Ms. Shelton next presented to and reviewed in detail with the Board her recommendation regarding the proposed 2018 debt service tax rate and maintenance tax rate, a copy of which recommendation is attached hereto as **Exhibit C**. Ms. Shelton recommended that the Board decrease the District's debt service tax rate from \$0.61 per \$100 of assessed valuation to \$0.50 per \$100 of assessed valuation, and increase the District's maintenance tax rate from \$0.21 per \$100 of assessed valuation to \$0.31 per \$100 of assessed valuation, for a total tax rate for 2018 of \$0.81 per \$100 of assessed valuation. Discussion followed regarding the District's ability to pay for the costs of design and construction of the proposed 0.320 MGD Expansion of the Permanent Wastewater Treatment Plant ("WWTP") by selling bonds without lowering the District's debt service tax rate, if it so desires, or to continue to work on a proposal setting forth the options and related costs in the Permanent WWTP Expansion Project to present to the Bing Family in attempt to gain their participation and lower the District's debt service tax rate, as recommended by Masterson. A lengthy discussion ensued regarding same. Following discussion, the Board concurred to set an overall 2018 tax rate of \$0.81 per \$100 of assessed valuation but defer consideration of the exact breakdown between debt service tax rate and maintenance tax rate and continue discussion on such matter at its next meeting.

There next followed a discussion concerning the requirements for notice of the District's intention to adopt a 2018 tax rate. Mr. Rubinsky advised that, pursuant to §49.236 of the Texas Water Code, as amended, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr. Rubinsky further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He advised that the District must provide the notice by either (i) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (ii) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least ten days before the date of the meeting. After further discussion on the matter, Director Welch moved that the Board (i) accept Masterson Advisor's recommendation and indicate its intent to levy a total tax rate for 2018 of \$0.81 per \$100 of valuation, and (ii) authorize the District's Tax Assessor-

Collector to publish notice of the District's intention to adopt a 2018 tax rate at its next meeting in the form and at the time required by law. Director Anzalotti seconded said motion, which unanimously carried. The Board concurred that the notice should be published by the Tax Assessor-Collector in the *Katy Times*.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated August 27, 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 Barbarino moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, except check no. 5776, which was voided. Director Witt seconded said motion, which unanimously carried.

Mr. Rubinsky noted that check no. 5979 has been issued to Mr. Moore after the District received the new Letter of Credit from CommunityBank of Texas, N.A. in relation to J.K. Moore's pro rata share of the costs of design and construction of the proposed Expansion of the Permanent WWTP and of the Water Plant No. 2 Project. It was further noted that no further action was required in connection with said matter.

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 August 27, 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 fifty-five (55) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke next reported that Harris-Fort Bend Counties Municipal Utility District No. 5 ("No. 5") experienced a broken shaft coupling on its water well at Water Plant No. 1 on August 10, 2018, and that its operator contacted EDP for the District's consideration to open its emergency water interconnect with the District due to low water pressure issues in No. 5. She further reported the emergency interconnect was closed on August 17, 2018, and that No. 5 is now temporarily receiving water from Fort Bend County Municipal Utility District No. 37.

Mr. Rubinsky presented and reviewed with the Board correspondence from the West Harris County Regional Water Authority ("WHCRWA") regarding the installation of an Automated Meter Reading ("AMR") system to read the groundwater well meters, including the District's, a copy of which is attached hereto as **Exhibit F**.

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 August 27, 2018, a copy of which is attached hereto as **Exhibit G**, 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 advised that the Preliminary Engineering Report for said project will be completed in the next thirty days, and that Van De Wiele plans to set up a meeting with the District's operator to discuss its "wish list" items for said expansion project.

In connection with the status of communications with representatives of the 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 completed the four (4) Water Line Easements requested from the District and has provided executed originals of 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. 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 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 2.00 acre tract in I-10 Bella Terra Subdivision to be developed for a Cooper's BBQ restaurant. After discussion, Director Welch moved that the Board approve the issuance of a utility commitment to Smokeslinger, as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from Smokeslinger relative to same. Director Barbarino 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. Director Anzalotti reported that the HOA will soon be forwarding a written description and conceptual drawing of the proposed park prepared by Talley Landscape Architects, Inc. to the property owners within the HOA in connection with the HOA's request that the property owners vote to authorize the conveyance of the subject property to the District.

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.

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 H**. 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

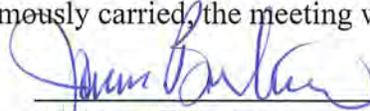
The Board deferred discussion regarding review of the District's consultants' contracts.

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.



Assistant Secretary



LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Correspondence from Mr. Gene Thompson regarding request to waive penalty and interest on 2017 delinquent tax account and correspondence from the Harris County Appraisal District in connection therewith
- Exhibit C Financial Advisor's 2018 Tax Rate Recommendation
- Exhibit D Bookkeeper's Report
- Exhibit E Operator's Report
- Exhibit F Correspondence from the West Harris County Regional Water Authority regarding the installation of an Automated Meter Reading system
- Exhibit G Engineer's Report
- Exhibit H Harris County Sheriff's Office's Report