

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting December 21, 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 December 21, 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 Witt and 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"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Mike Baker of Katy ABC Properties ("Katy ABC"); 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 November 26, 2018. Mr. Rubinsky reminded the Board of a proposal received by Seaback Maintenance, Inc. ("Seaback") through its subcontractor, Lake Management Services, LP, for quarterly spraying to remove vegetation buildup in the Drainage Outfall Channel at a yearly cost of approximately \$5,400. Mr. Rubinsky advised the Board that a revised proposal for said project had been received from Seaback after the draft minutes of its Board of Directors meeting held on November 26, 2018 had been distributed. Following discussion, Director Barbarino moved that the minutes of the Board of Directors meeting held on October 22, 2018, be approved as revised. Director Welch seconded said motion, which unanimously carried.

A discussion then ensued regarding the overall budget and frequency of proposals for the maintenance of the District's detention and drainage facilities by Seaback. After discussion, the Board instructed Van De Wiele to solicit proposals on behalf of the District for the maintenance of all of the District's drainage and detention facilities from other maintenance companies for review at the Board's next meeting.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Wheeler presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of November 30, 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 November 30, 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 Porter 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 Attorneys.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated December 21, 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, except for check nos. 6094 and 6095, which were voided. Director Porter seconded said motion, which unanimously carried.

OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2019

Ms. Crigger presented to and reviewed with the Board a draft operating budget for the District's fiscal year ending December 31, 2019, a copy of which is attached to the Bookkeeper's Report. After discussion, Director Barbarino moved that the operating budget for the District's fiscal year ending December 31, 2019, be approved as presented. Director Porter seconded the motion, which carried unanimously.

COMPLIANCE WITH TEXAS GOVERNMENT CODE CHAPTER 2265 RELATIVE TO ENERGY REPORTING

There was next a discussion regarding the District's compliance with Texas Government Code, Chapter 2265, relative to energy reporting requirements. In connection therewith, Ms. Crigger presented and reviewed with the Board an Energy Report provided by Acclaim Energy Advisors for the District for the period October 2017 through September 2018, a copy of which is attached to the Bookkeeper's Report.

PRODUCTION AND FILING OF DISTRICT FINANCIAL REPORTS

Mr. Rubinsky reminded the Board that Section 140.008, Texas Local Government Code, requires the District to file certain financial information with the Texas Comptroller of Public Accounts (the "Comptroller") within 180 days of the District's fiscal year end. This financial

information may be submitted as a separate report, or alternatively, the District may submit its annual audit or annual financial report to the Comptroller. Mr. Rubinsky further explained that, since the District maintains a website, it must also make the financial information available on such website or provide a link to the information on the Comptroller's website. Upon a motion made by Director Barbarino seconded by Director Porter, and carried unanimously, the Board authorized SPH to file the District's audit report for the fiscal year ending on December 31, 2018, with the Comptroller and provide a link to the information on the Comptroller's website on the District's website by the appropriate deadline.

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 December 21, 2018, a copy of which is attached hereto as **Exhibit C**. 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, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein. Ms. Falke noted that there were fifty-two (52) 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 Tru by Hilton Hotel currently under construction. 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% 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 currently has two (2) payments of \$10,000 outstanding for the months of November and December. Following discussion on the matter, Director Welch moved to authorize EDP to terminate Keivans water service if Keivans does not become current on all payments by January 6, 2019. Director Barbarino 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 of a proposal he had received from Seaback for overseeding and fertilizing of all six of the District's facilities that Seaback maintains on behalf of the District, but recommended that the Board defer consideration of approval of said proposal until Seaback provides its invoices for labor and materials for said project, as required by its Maintenance Agreement with the District.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated December 21, 2018, a copy of which is attached hereto as **Exhibit D**, 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 a soil boring exhibit has been prepared in preparation for the request for proposals for a geotechnical investigation in order to determine the bearing capacity of the soil at the sub-surface pad/foundation elevation of the proposed new tanks. Mr. Rubinsky then reminded the Board that Van De Wiele and SPH prepared and presented (i) a proposal to Dr. Bing setting forth the options and related costs for the Bing Family's participation in the Permanent WWTP Expansion, and (ii) the Special Warranty Deed, the required Sanitary Control Easement, and a 10' Water Line Easement in connection with the proposed acquisition of the Water Plant No. 2 site and related property interests, and advised that SPH is still waiting on receipt of Dr. Bing's signature and return of said documents.

In connection with the Generator Addition for Katy Gap Road Lift Station by W. W. Payton Corporation ("Payton"), Mr. Laseter presented Pay Application No. 2 and Final in the amount of \$9,096.00, a copy of which is attached to the Engineer's Report, and recommended that the Board authorize the payment of same. Upon motion by Director Welch, seconded by Director Porter and unanimously carried, the Board authorized the payment to Payton of Pay Application No. 2 and Final, as recommended by Mr. Laseter.

Mr. Rubinsky next reviewed the Consent to Encroachment and Indemnity Agreement with Smokeslinger LLC ("Smokeslinger"), and advised that various District easements are being encroached upon by certain paving improvements to be constructed on Smokeslinger's property. Following discussion on the matter, Director Welch moved that the Consent to Encroachment Agreement and Indemnity Agreement between the District and Smokeslinger be approved, subject to acceptance and execution by Smokeslinger, and that the President be authorized to execute same on behalf of the Board and the District. Director Porter 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 the status of various projects within Katy ABC's Katy Ranch Crossing development. Mr. Laseter then 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 advised the Board of a request for a utility commitment received by the District from Katy New Horizons, LLC ("KNH") for water and sewer service for a proposed 0.754 acre tract. After discussion, Director Porter moved that the Board authorize SPH to prepare a utility commitment to KNH, as requested, and present same to the Board for final approval next month. Director Barbarino seconded said motion, which unanimously carried. The Board deferred consideration of approval of the request for a utility commitment from Harris County Emergency Services District No. 48 until its next meeting.

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. It was reported that approximately 37% of the property owners within the HOA have approved the HOA's execution of the Deed via email, but that 67% approval is required in order for the HOA to be able to convey said tract to the District. A discussion ensued regarding the possibility of the District acquiring said tract through condemnation proceedings. Mr. Rubinsky advised the Board that SPH is in the process of soliciting a proposal from outside counsel that can assist the District in acquiring the tract through condemnation to consider engagement of a condemnation counsel at its next meeting.

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") Activity Report for November 2018, a copy of which is attached hereto as **Exhibit E**. No action was required of the Board at this time.

LAW ENFORCEMENT SERVICES

Mr. Rubinsky next reminded the Board of its previous action to approve adding an additional deputy to patrol within the District due to Mr. Baker's concern previously expressed to ensure safety and reduce response times from local law enforcement to calls from multifamily and commercial customers of the District. He then reported that a third HCSO deputy will begin patrolling the District's commercial properties tomorrow, December 22nd. Mr. Rubinsky next presented to and reviewed with the Board a new Interlocal Agreement for Law Enforcement Services between Harris County and the District for the period March 1, 2019 through February 29, 2020, a copy of which is attached as **Exhibit F**. Following discussion, Director Barbarino moved that (i) said Interlocal Agreement for Law Enforcement Services by and between Harris County and the District be approved, and (ii) that the President be authorized to execute and the Secretary be authorized to attest same on behalf of the Board and District. Director Porter seconded the motion, which unanimously carried.

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. In connection therewith, Mr. Rubinsky presented to the Board correspondence received from the Harris-Galveston Subsidence District relative to promoting water conservation, a copy of which is attached hereto as **Exhibit G**.

Mr. Rubinsky also presented to the Board an Annual Disclosure provided by Masterson relative to MSRB Rule G-10, a copy of which is attached hereto as **Exhibit H**.

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 Porter, 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	Operator's Report
Exhibit D	Engineer's Report
Exhibit E	Harris County Sheriff's Office's Activity Report (November 2018)
Exhibit F	Interlocal Agreement for Law Enforcement Services between Harris County and the District
Exhibit G	Correspondence from the Harris-Galveston Subsidence District
Exhibit H	Annual Disclosure from Masterson LLC relative to MSRB Rule G-10