

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting January 28, 2019

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 January 28, 2019, 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 Anzalotti, 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"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Mike Baker of Katy ABC Properties ("Katy ABC"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Richard Fletcher and Robin Humphrey of Sales Tax Assurance, LLC ("STA"); Jerry Schroeder of Champions Hydro-Lawn, Inc. ("Champions"); Division Chief Ray Sidwell, Commissioner Marshall Kramer, and Architect Ricardo Martinez of Harris County Emergency Services District No. 48 ("No. 48"); 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 December 21, 2018. Following discussion, Director Welch moved that the minutes of the Board of Directors meeting held on December 21, 2018, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

APPEAL OF DISTRICT CHARGES

Ms. Falke next advised the Board of an appeal received from No. 48 for the District's tap fee for No. 48's proposed Fire Station No. 1 and a temporary facility related to same. Commissioner Kramer inquired as to the reason that No. 48 was quoted a tap fee of approximately \$210,000, noting that No. 48 is working with limited funds as a non-profit organization. Ms. Laseter advised Commissioner Kramer that the tax-exempt entity tap fee was calculated in accordance with the terms of the District's Rate Order and applicable law. He noted

that the tap fee is based on the actual cost to the District of labor and materials to physically tie in to the District's system, plus the actual costs of the facilities required to provide services to No. 48's property that have been or will be financed with proceeds of tax supported bonds issued by the District, including a share of the cost of the proposed 0.320 MGD Expansion of the District's Permanent Wastewater Treatment Plant and Water Plant No. 2. He noted that the exact tap fee cannot be determined until Van De Wiele has reviewed No. 48's firm development plans for the tract. A lengthy discussion ensued regarding same. Mr. Rubinsky then recommended that the Board allow Van De Wiele to review the tap fee calculations used for Katy Fellowship Church, another Nontaxable Entity in the District, to ensure that No. 48's tap fee has been calculated in a fair and consistent manner. Following discussion on the matter, the Board concurred to defer consideration of No. 48's appeal of its tap fee until the next meeting.

Commissioner Kramer, Chief Sidwell, and Mr. Martinez exited the meeting at this time.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of December 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 December 31, 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 Porter 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 January 28, 2019, a copy of which is attached hereto as **Exhibit B**. Following discussion on the matter, Director Barbarino moved to authorize Perdue Brandon to coordinate with EDP the termination of water service to those customers of the District that owe delinquent taxes to the District, in accordance with the provisions of Texas Water Code Section 49.212(c). Director Witt seconded said motion, which unanimously carried.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, which Resolution is attached hereto as **Exhibit C**. Mr. Rubinsky advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60th day, as more fully described in said Resolution. After discussion, it was moved by Director Welch, seconded by Director Barbarino and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board, and that Perdue be authorized to proceed with the collection of the District's 2018 delinquent personal

property accounts following proper notice as provided in said Resolution, including the filing of lawsuits, as necessary.

2018 TAX EXEMPTIONS

The Board next considered granting of 2019 tax exemptions. Mr. Rubinsky outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for tax year 2019, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during tax year 2019, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. Following discussion on the matter, Director Witt moved that the District (a) grant a five percent (5%) general residential homestead exemption, and (b) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$20,000 from ad valorem taxes levied by the District during the calendar year 2019, and that the Resolution Concerning Exemptions From Taxation attached hereto as **Exhibit D** relative to same be approved and adopted by the Board and the District. Director Barbarino seconded said motion, which carried unanimously.

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. Mr. Fletcher presented and reviewed with the Board a SPA STAR Report for the Fourth Quarter - 2018, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2018 Quarter 3 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit E**. Following review of said reports, it was noted that STA recommends payment of \$77,748.43 to Katy ABC for 2018 Quarter 3 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 Welch moved that the Sales Tax Reconciliation Summary for 2018 Quarter 3 and the development payment of \$77,748.43 to Katy ABC for 2018 Quarter 3 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 January 28, 2019, a copy of which is attached hereto as **Exhibit F**, including the checks presented for payment from the District's various accounts. After discussion, Director Porter moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, except for check no. 6121, which was voided. Director Barbarino seconded said motion, which unanimously carried.

AUTHORIZE PREPARATION AND SUBMISSION OF DISTRICT INFORMATION TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS FOR INCLUSION IN THE SPECIAL PURPOSE DISTRICT PUBLIC INFORMATION DATABASE

Mr. Rubinsky next informed the Board that, pursuant to provisions of Chapter 403, Texas Government Code, and Chapter 203, Texas Local Government Code, the District is required to submit information to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. He then advised that SPH will prepare and submit the required information. Following discussion, Director Porter moved, Director Barbarino seconded, and it was unanimously carried that SPH be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Public Information Database.

FINANCIAL ADVISORS REPORT

Ms. Shelton next addressed the Board regarding a potential opportunity to refund certain outstanding bonds of the District's Series 2011 Unlimited Tax Bonds and realize debt service savings as a result of same. Ms. Shelton reviewed a Preliminary Plan of Financing in detail with the Board, a copy of which is attached hereto as **Exhibit G**. Mr. Rubinsky then discussed with the Board certain requirements of applicable ordinances of City of Houston that must be met for a refunding bond issue, as well as the procedures to be followed. After a discussion concerning the proposed transaction, the Board declined to proceed with the refunding opportunity 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 January 28, 2019, a copy of which is attached hereto as **Exhibit H**. 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 regarding an acute violation of the permitted limits of TSS at the Wastewater Treatment Plant that occurred on November 21, 2018, a Customer Service Report, Delinquent Notice/Service Disconnect Report, and a Delinquent Accounts Report, as set forth therein. Ms. Falke noted that there were sixty-seven (67) customer accounts listed on the Delinquent Accounts Report this month.

In regard to 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, Ms. Falke reported to the Board that Keivan's sixth and final payment of \$10,000 has been received, and that the tap fee has now been paid in full.

Ms. Falke next presented and reviewed with the Board a list of commercial customers' water usage history and deposit amounts, a copy of which is attached to the Operator's Report, and reminded the Board of its previous conversation regarding the need to poaibly increase certain customers' deposits. She noted that the average monthly water usage of the highlighted customers has increased significantly since the accounts were first placed in service, causing a

need to increase their deposits to 200% of such customers' average water usage in order to be in compliance with the terms of the District's Rate Order. A discussion ensued regarding same. Following discussion on the matter, the Board concurred to authorize EDP to enforce payment of increased deposit amounts only in connection with the restoration of water service to those subject customers whose service is terminated as a means of being compliant with the District's Rate Order moving forward.

CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing EDP to provide certain required information to districts that received water through an emergency interconnect with the District during calendar year 2018 in connection with the 2019 Consumer Confidence Reports. Mr. Rubinsky explained that, pursuant to the Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2019, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during 2018. After discussion on the matter, it was moved by Director Porter, seconded by Director Witt and unanimously carried that EDP be authorized to provide the required information as set forth hereinabove.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

Mr. Laseter advised that there was no update regarding the status of maintenance of the District's detention and drainage facilities by Seaback Maintenance, Inc. ("Seaback").

In connection with the review of proposals from other maintenance companies for the maintenance of all of the District's drainage and detention facilities, Mr. Laseter presented and reviewed with the Board three (3) bids that were received on January 25, 2019, and compared said bids to the District's current rates through its Service Contract with Seaback, a copy of said bid tabulation of all proposals is attached hereto as **Exhibit I**. He noted that the low bid was submitted by Storm Water Solutions, LP in the amount of \$169,228.00. The Board then recognized Mr. Schroeder, who presented and reviewed with the Board a Detention and Drainage Facilities Report prepared by Champions, which submitted one of the bids previously reviewed by Mr. Laseter, a copy of which is attached hereto as **Exhibit J**. Mr. Schroeder advised that Champions personnel inspected all of the District's facilities on January 23, 2019, and that the report presented is reflective of the type of report Champions would provide the Board each month if hired to maintain its facilities. A lengthy discussion then ensued regarding the maintenance of the District's facilities. Mr. Rubinsky recommended that the Board review Seaback's budgeted versus actual expenses comparison of its maintenance services of the District's drainage and detention facilities over the last three (3) years. After discussion, the Board requested that MA&C prepare said cost comparison of Seaback's past three (3) year's expenses for review at the Board's next meeting.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board next considered authorizing solicitation of proposals for renewal of the District's insurance policies. In that regard, Mr. Rubinsky advised the Board that the District's current insurance coverages are provided through W.I.N./Arthur J. Gallagher & Co. ("AJG"),

and that such coverages will expire on March 31, 2019. Mr. Rubinsky then queried the Board whether SPH should request written proposals from other insurance providers on the District's behalf. After discussion, the Board instructed SPH to solicit a renewal proposal on behalf of the District from AJG and McDonald & Wessendorff Insurance for review at the Board's February meeting.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated January 28, 2019, a copy of which is attached hereto as **Exhibit K**, and discussed the status of various projects within the District. Following discussion, the Board concurred that no action was required on its part at this time regarding said matters.

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. Rubinsky next addressed the Board to discuss a request from Jose Criollo for water and sewer service and interest in potentially requesting the District to annex an approximately 0.74 acre tract of land located at the corner of Kingsland Boulevard and Roesner Road (the "Tract"). Mr. Rubinsky advised that Mr. Criollo intends to use the land for a restaurant and commercial development. Following discussion on the matter, the Board concurred to authorize Mr. Rubinsky to discuss annexation options for the Tract with Mr. Criollo, and authorize Van De Wiele to perform an annexation feasibility study for the Tract, subject to receipt of the \$10,000 deposit for same from Mr. Criollo.

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 Katy New Horizons, LLC ("KNH") for water and sewer service for a proposed 0.754 acre tract. After discussion, Director Welch moved that the Board approve the issuance of a utility commitment to KNH, as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from KNH relative to same. Director Witt seconded said motion, which unanimously carried.

Mr. Rubinsky next addressed the Board regarding the request for a utility commitment received by the District from No. 48 for water and sewer service for a 2.75 acre tract on Bella Dolce Lane in the I-10 Bella Terra Subdivision to be developed for a proposed Fire Station No. 1 and a temporary facility in connection therewith. After discussion, Director Welch moved that the Board approve the issuance of a utility commitment to No. 48, as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from No. 48 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. 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

Mr. Rubinsky advised the Board that no Harris County Sheriff's Contract Report was provided this month, and that SPH would email a copy of said Report to the Directors upon receipt.

LAW ENFORCEMENT SERVICES

The Board next considered ratifying the Board's prior approval of the new Interlocal Agreement for Law Enforcement Services between Harris County and the District for the period March 1, 2019 through February 29, 2020. After discussion on the matter, the Board moved to ratify its prior motion, in all respects, 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.

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 reported that Municipal Financial Services has requested to present proposal to the Board at its next meeting relative to the EVO Program. The Board authorized SPH to add an item to the agenda for the Board's next meeting related to same.

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	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
Exhibit D	Resolution Concerning Exemptions from Taxation
Exhibit E	Sales Tax Report – Fourth Quarter 2018 and Katy Ranch Development Area Reconciliation Report – Quarter 3 2018
Exhibit F	Bookkeeper's Report
Exhibit G	Preliminary Plan of Financing for proposed Series 2019 Refunding Bond Issue prepared by Masterson Advisors LLC
Exhibit H	Operator's Report
Exhibit I	Bid Tabulation prepared by Van De Wiele & Vogler Incorporated
Exhibit J	Detention and Drainage Facilities Report prepared by Champions Hydro-Lawn, Inc.
Exhibit K	Engineer's Report