

## **HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3**

### **Minutes of Board of Directors Meeting March 25, 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 March 25, 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, 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"); 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 deferred approval of the minutes of its Board of Directors meeting held on February 25, 2019, until its next meeting.

#### **TAX ASSESSOR-COLLECTOR'S REPORT**

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of February 28, 2019, 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 February 28, 2019, 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.

Mr. Arce also reported that Wheeler had received correspondence from the Harris County Appraisal District ("HCAD") notifying them that there had been an error in the District's jurisdictional boundary, and that the correction of said error will result in the removal of \$13,496,364 in certified value from the District's 2018 tax roll. He noted that HCAD's correction will be reflected in the Tax Assessor-Collector's Report within the next few months.

## **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 March 25, 2019, a copy of which is attached hereto as **Exhibit B**, including the disbursements presented for payment from the District's various accounts. After discussion, Director Barbarino moved that the Board approve the Bookkeeper's Report, including the disbursements presented for payment from the District's various accounts. Director Porter seconded said motion, which unanimously carried.

## **STATUS OF AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2018**

Mr. Rubinsky advised the Board that McGrath & Co., PLLC ("McGrath") is in the process of preparing the District's Audit Report for the fiscal year ended December 31, 2018, and that the draft Report will be presented for the Board's review and approval at next month's meeting.

## **ARBITRAGE REBATE CALCULATION REPORT**

Mr. Rubinsky next advised the Board that Arbitrage Compliance Specialists, Inc. had prepared the Arbitrage Rebate Calculation Report for the Fifth Year Rebate Installment Computation Period related to the District's Series 2013 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 payment due at this time to the Internal Revenue Service related to the subject Bonds and computation period. 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 March 25, 2019, 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, Wastewater Plant Discharge Report, a Customer Service Report, Delinquent Notice/Service Disconnect Report, and a Delinquent Accounts Report, as set forth therein. Ms. Falke noted that there were thirty-three (33) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke reported that the repair to the box culvert causing a sinkhole within the District along Katy Gap Road has been completed.

Ms. Falke next presented to and reviewed with the Board correspondence received from the Texas Commission on Environmental Quality ("TCEQ") dated March 15, 2019, regarding a Notice of Enforcement for Modified Comprehensive Compliance Investigation of the District's Water Supply System, a copy of which is attached to the Operator's Report. She noted that Mr. Laseter will provide further information regarding said matter during the Engineer's Report.

Ms. Falke next reminded the Board of an appeal received from Harris County Emergency Services District No. 48 ("No. 48") in connection with the District's estimated non-taxable entity tap fee for No. 48's proposed Fire Station No. 1 to be constructed in the District. Per the Board's previous request, Mr. Rubinsky and Mr. Laseter reviewed with the Board the procedures used to calculate the tap fee for Katy Fellowship Church, another Nontaxable Entity in the District. They noted that, if EDP were to calculate No. 48's tap fee in a manner consistent with the calculation of the tap fee for the Katy Fellowship Church, the cost to No. 48 would be approximately \$20,000 more than the initial estimate given to No. 48, which was approximately \$210,000. A discussion ensued regarding same. Mr. Laseter noted that the exact tap fee cannot be determined until Van De Wiele has reviewed No. 48's firm development plans for the tract. Following discussion, the Board concurred to defer consideration of No. 48's appeal of its tap fee until Mr. Laseter has reviewed No. 48's firm development plans and EDP has calculated the tap fee accordingly. Ms. Falke reiterated that No. 48's tap will not be installed until the final tap fee is determined and paid in full by No. 48.

The Board next considered ratifying the Board's prior approval of a Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program. After discussion, Director Anzalotti moved to ratify its prior motion in all respects, that (i) the Resolution Approving Submittal of the Water Smart Water Application be approved by the Board and the District, and (ii) that the Vice President and Secretary be authorized to execute same. Director Welch 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 Maintenance, Inc. ("Seaback"). In that regard, Mr. Laseter advised the Board that the quarterly spraying of the Drainage Outfall Channel is currently in progress and that Seaback should complete said project by April 14, 2019. It was noted that no action was required of the Board at this time.

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. Rubinsky presented and reviewed with the Board a report prepared by MA&C comparing Seaback's budgeted to actual expenses of its maintenance services of the District's drainage and detention facilities over the last three (3) years. A copy of said report is attached hereto as **Exhibit E**. He then reviewed with the Board the bid tabulation previously presented to the Board by Van De Wiele on January 25, 2019, and compared said bids to the District's current rates through its Service Contract with Seaback. A lengthy discussion then ensued regarding the current maintenance services being provided by Seaback. Following discussion, the Board concurred to not make any changes at this

time and continue receiving maintenance services of the District's drainage and detention facilities from Seaback.

### **ENGINEER'S REPORT**

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated March 25, 2019, a copy of which is attached hereto as **Exhibit F**, and discussed the status of various projects within the District, including the status of design of the 0.320 MGD expansion of the District's Wastewater Treatment Plant.

In connection with the status of the proposed 8-Inch Water Line Extension along Katy Gap Road, Mr. Laseter advised that a topographic survey of the area is underway and that dry utility facility maps have been requested.

In connection with the Notice of Enforcement for Modified Comprehensive Compliance Investigation of the District's Water Supply System received from the TCEQ that was briefly discussed during the Operator's Report, Mr. Laseter advised the Board that Van De Wiele is still in the process of preparing an application to the TCEQ for waiver of the elevated storage tank ("EST") requirements, as previously authorized by the Board. Ms. Falke reported that EDP will coordinate with Van De Wiele to respond to said Notice of Enforcement as soon as possible to inform the TCEQ that Van De Wiele is currently working on the application for an EST waiver and request that the enforcement action be lifted.

### **SUBMISSION OF INFORMATION TO RETAIL ELECTRIC UTILITY PROVIDER**

Mr. Rubinsky reported that Texas Water Code §13.1396 requires that the District annually submit to each electric distribution utility and each retail electric utility provider, on forms reasonably required by each entity, a list of its facilities which qualify for critical load status and various emergency contact information. After discussion on the matter, Ms. Falke stated that EDP would handle this filing requirement on behalf of the District. Director Welch then moved that EDP be authorized to make such annual filing on behalf of the District. Director Anzalotti seconded said motion, which unanimously carried.

### **DEVELOPERS' REPORTS**

The Board next considered the Developers' Reports. In connection therewith, Mr. Baker provided an update regarding the proposed construction of a second office building by Katy Ranch Offices, LP.

### **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")**

Mr. Rubinsky advised there is no update regarding 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.

**STATUS OF PROPOSED ACQUISITION OF RESTRICTED RESERVE "E" IN LAKES OF GRAND HARBOR, SECTION THREE**

In connection with the proposed acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three by the District for a Park Site, Mr. Rubinsky reminded the Board of its previous discussions regarding the possibility of the District acquiring said tract through the exercise of its powers of eminent domain. In that regard, Mr. Rubinsky advised the Board that the District's condemnation counsel, Hunton Andrews Kurth ("Andrews Kurth"), recommended that the District obtain an opinion of fair valuation and a formal appraisal report of the subject property in order to prepare an initial offer letter to the HOA as the first step in acquiring said tract. Following discussion, Director Welch moved that SPH and Andrews Kurth be authorized to obtain an opinion of fair valuation of the tract from an appraiser and to request a proposal for the preparation of a formal appraisal of the subject property in connection with the proposed condemnation. Director Anzalotti seconded said motion, which unanimously carried.

**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 Park Site has been acquired 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 February 2019, a copy of which is attached hereto as **Exhibit G**. Mr. Rubinsky reported that Sgt. Johnson of the HCSO is looking into Director Barbarino's previous inquiry as to why there was only one (1) neighborhood check at Towns at Seville last month, and will provide an update regarding same at the next meeting. 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 a third deputy to patrol within the District due to Mr. Baker's previously expressed concerns to ensure safety and reduce response times from local law enforcement to calls from multifamily and commercial customers of the District. Mr. Rubinsky advised that he discussed the addition of the third deputy with the attorney for Harris-Fort Bend Counties Municipal Utility District No. 1 ("HFB1"), and the fact that the current Law Enforcement Services Funding Agreement between the District and HFB1 (the "Agreement") does not contemplate adding a third deputy of whether

HFB1 is required to share in the costs of same. Following discussion, the Board concurred that it would not be necessary to amend the Agreement or to request that HFB1 share in the costs of the third deputy since the third deputy was hired specifically to patrol the multifamily and commercial areas of the District along the Katy Freeway. Mr. Rubinsky advised that he would relay the Board's decision to HFB1's attorney.

### **DISTRICT WEBSITE**

Mr. Rubinsky advised that there was no update regarding the status of the District's website at this time.

### **REVIEW OF NOTICE OF MEETING AND PROXY STATEMENT FROM BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**

Mr. Rubinsky next presented to and reviewed with the Board correspondence from BAM, attached hereto as **Exhibit H**, providing information regarding BAM's 2019 Annual Meeting and detailing the District's option to fill out a proxy card with regard to the election of three (3) nominees to BAM's Board of Directors. After discussion, the Board concurred to take no action on the matter.

### **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 and that SPH will add an item to the agenda for the Board's next meeting related to same.

Mr. Rubinsky then discussed rescheduling of the May 2019 Board of Directors meeting due to the SPH's offices being closed on Memorial Day. After discussion, Mr. Rubinsky advised that SPH would present options for alternative meeting dates in May for the Board to consider at its next meeting.

### **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.

### **FUTURE AGENDA ITEMS**

The Board next considered matters for possible placement on future agendas. Ms. Crigger requested that the Board consider an amendment to the Agreement for Bookkeeping Services by and between the District and MAC at next month's meeting. The Board concurred to add an item to the agenda for next month's Board meeting regarding same.

**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.

  
Secretary



## LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Bookkeeper's Report
- Exhibit C Arbitrage Rebate Calculation Report for the Fifth Year Rebate Installment Computation Period related to the District's Series 2013 Bonds
- Exhibit D Operator's Report
- Exhibit E Report regarding Seaback Maintenance, Inc.'s budgeted to actual expenses of its maintenance services prepared by Municipal Accounts & Consulting, L.P.
- Exhibit F Engineer's Report
- Exhibit G Harris County Sheriff's Office's Contract Report
- Exhibit H Notice of Meeting and Proxy Statement from Build America Mutual Assurance Company