

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting April 22, 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 April 22, 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"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Mike Baker of Katy ABC Properties ("Katy ABC"); Richard Fletcher of Sales Tax Assurance, LLC ("STA"); Colette Garcia of McGrath & Co., PLLC ("McGrath"); Kathryn Foss of Municipal Financial Services ("MFS"); and Abraham Rubinsky, Kate Henderson, 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 meetings held on February 25, 2019, and March 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 March 31, 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 March 31, 2019, 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 Welch 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 April 22, 2019, a copy of which is attached hereto as **Exhibit B**. After discussion, the Board concurred that no action was required in connection with such Report at this time.

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 First Quarter - 2019, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary for 2018 Quarter 4 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit C**. Following review of said reports, it was noted that STA recommends payment of \$78,932.70 to Katy ABC for 2018 Quarter 4 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 4 and the development payment of \$78,932.70 to Katy ABC for 2018 Quarter 4 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 April 22, 2019, a copy of which is attached hereto as **Exhibit D**, including the disbursements presented for payment from the District's various accounts. After discussion, Director Welch moved that the Board approve the Bookkeeper's Report, including the disbursements presented for payment from the District's various accounts. Director Anzalotti seconded said motion, which unanimously carried.

EVO METRIC REPORT

The Board next recognized Ms. Foss, who presented and reviewed with the Board a proposal from MFS for the preparation of an EVO Metrics Report on behalf of the District, a copy of which is attached hereto as **Exhibit E**. Ms. Foss advised that MFS would review, analyze, catalogue, summarize and graph certain operational, financial and tax data on behalf of the District and present same in the proposed EVO Metric Report. She further explained some of the ways in which the Report could be helpful to the District. Following discussion, the Board concurred to take no action on the matter at this time.

RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT REAL PROPERTY TAXES

The Board next considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes. Mr. Rubinsky advised that the Board is authorized pursuant to Section 33.07 of the Texas Tax Code, as amended, to impose, under certain conditions on July 1, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on taxes that remain delinquent as of July 1 of the year in which they became delinquent. He noted that the additional penalty to be imposed by this Resolution will not apply to delinquent personal property taxes which have incurred an additional penalty pursuant to that certain Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, which was passed and approved by the District on January 28, 2019. After further discussion, it was moved by Director Welch, seconded by Director Anzalotti, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes, which is attached hereto as **Exhibit F**, be adopted by the Board, and that Perdue Brandon be authorized to proceed with the collection of the District's 2018 delinquent real property tax accounts beginning on July 1, 2019, including the filing of lawsuits as necessary, subject to proper notice having been given as provided in said Resolution.

AMENDED AND RESTATED AGREEMENT FOR BOOKKEEPING SERVICES WITH MA&C

The Board next considered an Amended and Restated Agreement for Bookkeeping Services ("Agreement") with MA&C. In connection therewith, Ms. Crigger presented and reviewed a copy of the proposed Agreement, a copy of which is attached hereto as **Exhibit G**. Ms. Crigger reported that MA&C is proposing to increase its hourly fee from \$75.00 to \$100.00, and the monthly base fee from \$1,350.00 to \$1,550.00. Following further discussion, Director Barbarino moved that (i) the Agreement with MA&C be approved, (ii) the President be authorized to execute same on behalf of the Board and the District, (iii) the District accept the TEC Form 1295 relative to the Agreement, and (iv) SPH be authorized to acknowledge receipt of the TEC Form 1295. Director Anzalotti seconded said motion, which unanimously carried.

ANNUAL AUDIT REPORT FOR THE DISTRICT'S FISCAL YEAR ENDED DECEMBER 31, 2018

The Board next recognized Ms. Garcia, who presented to and reviewed in detail with the Board a draft of the District's audit report prepared for the fiscal year ended December 31, 2018, a copy of which is attached hereto as **Exhibit H**. After a thorough review of the audit report presented, Director Anzalotti moved that the audit report for the District's fiscal year ended December 31, 2018, be approved, subject to SPH's final review and approval, that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and that such audit report and Annual Filing Affidavit be filed with the Texas Commission on Environmental Quality ("TCEQ") by the applicable deadline. Director Barbarino seconded said motion, which unanimously carried.

ANNUAL CONTINUING DISCLOSURE REPORT

The Board next considered the approval of its annual continuing disclosure report due June 30, 2019, relative to the District's outstanding bonds pursuant to United States Securities and Exchange Commission Rule 15c2-12. Mr. Rubinsky presented and reviewed with the Board an Annual Financial and Operating Report prepared by the District's Disclosure Counsel, McCall Parkhurst & Horton L.L.P. ("McCall Parkhurst"), a copy of which is attached hereto as **Exhibit I**. Mr. Rubinsky then advised that, upon receipt of the final audit report for the District's fiscal year ended December 31, 2018, from McGrath, McCall Parkhurst will file on behalf of the District the required Annual Financial and Operating Report.

After further discussion, Director Welch moved that the Annual Financial and Operating Report be approved by the Board, subject to final review and approval by SPH, and (ii) McCall Parkhurst be authorized to file same with the appropriate repositories prior to June 30, 2019. Director Anzalotti seconded said motion, which unanimously carried.

ANNUAL ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky presented the Annual Maintenance for Arbitrage Analysis Report ("Report") dated March 21, 2019, prepared by Municipal Risk Management Group, L.L.C., a copy of which is attached hereto as **Exhibit J**, and reviewed same with the Board.

Mr. Rubinsky then presented and reviewed with the Board an engagement letter from Arbitrage Compliance Specialists, Inc. ("ACS") for preparation of the 5th Year Arbitrage Rebate Report for the District's \$7,280,000 Unlimited Tax Bonds, Series 2014 due no later than sixty days after December 22, 2019 (the "ACS Engagement Letter"). He then advised the Board of the proposed fees in connection with preparation of the Report, and advised that the required TEC Form 1295 has been received by SPH to accompany the engagement letter. After discussion on the matter, Director Welch moved that (i) ACS be engaged to prepare the 5th Year Arbitrate Rebate Report required for the Series 2014 Bonds in accordance with the ACS Engagement Letter, (ii) that the President be authorized to execute the ACS Engagement Letter on behalf of the Board and District, and (iii) SPH be authorized to acknowledge the TEC Form 1295 received in connection with the ACS Engagement Letter. 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 March 25, 2019, a copy of which is attached hereto as **Exhibit K**. 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 fifty-seven (57) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke reviewed with the Board an appeal from District resident, Audrey Holt, located at 24211 Peralta Glen Lane, who is requesting an adjustment to her water bill charges due to a water leak that went unnoticed due to Ms. Holt being out of state when the leak occurred. Following discussion, upon motion by Director Barbarino, seconded by Director Witt and unanimously carried, the Board moved to deny Ms. Holt's request.

Ms. Falke then reviewed with the Board an appeal from District resident, Ahmed Jamaluddin, located at 550 Katy Fort Bend Road, who is requesting an adjustment to his water bill charges due to a water leak that has since been repaired by Mr. Jamaluddin. Following discussion, upon motion by Director Barbarino, seconded by Director Witt and unanimously carried, the Board moved to deny said request.

In connection with the status of 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, Ms. Falke advised the Board that No. 48 has now paid its tap fee for Phase I of the project, and that EDP will arrange for No. 48's tap to be installed.

ANNUAL REPORT REGARDING IDENTITY THEFT PREVENTION PROGRAM

The Board next considered the status of the District's Identity Theft Prevention Program (the "Program"). In connection therewith, Ms. Falke presented EDP's annual report as Administrator of the Program, a copy of which is included in the Operator's Report, and advised the Board regarding the District's experience with identity theft during the prior year, current identity theft methods, the types of accounts maintained by the District and the District's business arrangements with other entities. Ms. Falke advised that EDP is not recommending any changes be made to the District's Program at this time. After discussion on the matter, the Board concurred that no changes were necessary to the Program at this time.

CONSUMER CONFIDENCE REPORT

The Board next considered approval of the 2018 Consumer Confidence Report ("CCR"). Ms. Falke presented and reviewed with the Board the District's CCR pamphlet, a copy of which is attached to the Operator's Report as **Exhibit K**. Mr. Rubinsky reminded the Board that pursuant to CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ, the District is required to provide a report containing various information regarding the District's water supply to all customers of the District by July 1, 2019. Ms. Falke further advised the Board that it has the option to distribute the CCR to the District's customers electronically to avoid printing costs. After discussion on the matter, Director Barbarino moved that the 2018 CCR be approved, and that the Operator be authorized to distribute same to the District's customers prior to July 1, 2019, subject to SPH final review and approval. Director Witt seconded the motion, which unanimously carried. The Board concurred to defer consideration of distributing the CCR electronically to the District's customers.

REVIEW OF DROUGHT CONTINGENCY PLAN

Mr. Rubinsky advised the Board that the District is required to conduct a review of its Drought Contingency Plan ("DCP") every five years. He further advised that Van De Wiele and

EDP have reviewed the District's current plan and are not recommending any revisions to the DCP at this time. After discussion, Director Anzalotti moved that the District adopt the Resolution Regarding Review of Drought Contingency Plan, attached hereto as **Exhibit L**. Director Porter seconded the motion, which carried unanimously.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

Mr. Laseter advised the Board there is no update to report this month regarding 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 April 22, 2019, a copy of which is attached hereto as **Exhibit M**, and discussed the status of various projects within the District.

In connection with the status of design of the 0.320 MGD expansion of the District's Permanent Wastewater Treatment Plant ("WWTP") and communications with landowners regarding the proposed design and construction of Water Plant No. 2 ("WP2"), Mr. Rubinsky requested that Mr. Laseter update the projected timeline and estimated costs of design and construction of said projects. Mr. Laseter advised the Board that he will provide an update regarding said items at its next meeting. Mr. Laseter then requested authorization for Van De Wiele to proceed with the design of WP2. After discussion on the matter, Director Welch moved to authorize Van De Wiele to proceed with the design of WP2. Director Anzalotti seconded said motion, which unanimously carried.

In connection with the Notice of Enforcement for Modified Comprehensive Compliance Investigation of the District's Water Supply System received from the TCEQ, Mr. Laseter presented to and reviewed with the Board a response letter prepared by Van De Wiele dated March 29, 2019, informing the TCEQ that Van De Wiele is currently working on preparing an application for waiver of the elevated storage tank requirements and requested that the enforcement action be lifted, as previously authorized by the Board. A copy of said letter is attached to the Engineer's Report.

In connection with the status of receipt of the Special Warranty Deed in connection with the acquisition of WP2 Site, Sanitary Control Easement and Water line Easement required in connection therewith, Mr. Rubinsky reported to the Board that he met with representatives of the Bing Family this morning, who expressed their desire to participate in the WWTP Expansion and WP2 projects, but expressed concerns with certain language in the Special Warranty Deed regarding the Grantor's liability with respect to the condition of the subject property. It was suggested that an environmental report be performed on the subject property to satisfy any of the District's concerns and requirements as the Bing Family will not provide any warranties in the conveyance document. Following discussion on the matter, Director Welch moved to authorize Van De Wiele to solicit proposals to perform both Phase I and Phase II environmental studies on the subject property. Director Barbarino 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 status of development of Katy Ranch Crossing by Katy ABC Properties. A discussion then ensued regarding the possibility of the District selling bonds to reimburse certain costs incurred by I-10/Katy Ltd in connection with the development of the I-10 Bella Terra Subdivision. Ms. Shelton said she will look into said matter and provide an update to the Board at its next meeting.

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, and recommended the engagement of JLL Valuation & Advisory Services ("JLL") for preparation of an opinion of fair valuation and a formal appraisal report of the subject property in connection with said matters. Following discussion, Director Welch moved that the District engage JLL to prepare an opinion of fair valuation of the tract and preparation of a formal appraisal of the subject property . Director Witt 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 March 2019, a copy of which is attached hereto as **Exhibit N**. 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. In connection therewith, Mr. Rubinsky discussed rescheduling of the May 2019 Board of Directors meeting due to SPH's offices being closed on Memorial Day. After discussion, the Board concurred to reschedule the May 2019 Board of Directors meeting to May 29th, at 11:00 a.m.

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.



DeeDee Witt
Secretary

LIST OF EXHIBITS

Exhibit A	Tax Assessor/Collector's Report
Exhibit B	Delinquent Tax Report
Exhibit C	Sales Tax Report –Fourth Quarter 2018 and Katy Ranch Development Area Reconciliation Report
Exhibit D	Bookkeeper's Report
Exhibit E	Proposal of MFS for preparation of EVO Metrics Report
Exhibit F	Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes
Exhibit G	Amended and Restated Agreement for Bookkeeping Services
Exhibit H	Draft Audit Report for Fiscal Year Ended December 31, 2018
Exhibit I	Annual Continuing Disclosure Report
Exhibit J	Annual Maintenance for Arbitrage Analysis Report prepared by Municipal Risk Management Group
Exhibit K	Operator's Report
Exhibit L	Resolution Regarding Review of Drought Contingency Plan
Exhibit M	Engineer's Report
Exhibit N	Harris County Sheriff's Office's Contract Report