

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting June 24, 2019

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in special session at the Board's regular meeting place on June 24, 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"); Kathryn Foss of Municipal Financial Services ("MFS"); 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 May 29, 2019. Following discussion, Director Witt moved that the minutes of the Board of Directors meeting held on May 29, 2019, be approved as written. Director Welch 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 June 24, 2019, a copy of which is attached hereto as **Exhibit A**. 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, a Delinquent Notice/Service Disconnect Report, a Delinquent Accounts Report, and correspondence from G-M Services regarding Water Well No. 1 performance testing, as set forth therein. Ms. Falke advised that there were fifty-two (52) customer accounts listed on the

Delinquent Accounts Report this month. Following discussion, it was noted no action was necessary of the Board at this time.

SUBMISSION OF CRITICAL LOAD STATUS

Mr. Rubinsky advised that Section 13.1396 of the Texas Water Code, as amended, requires the District to update its information identifying the location and description of facilities that have qualified for critical load status and its information regarding emergency contacts (a) annually to each electric utility that provides transmission and distribution service to the District and each retail electric provider that sells power to the District and (b) immediately upon any change in the information to the above entities, as well as to the Office of Emergency Management of Harris and Fort Bend Counties, the Public Utility Commission of Texas, and the Division of Emergency Management of the Governor. Ms. Falke advised that EDP has provided the annual update of said information to the appropriate entity. Following discussion, Director Welch moved to authorize Van De Wiele and EDP to send the annual update of information to the appropriate entities as referenced above, as necessary. Director Porter seconded said motion, which unanimously carried.

EVO METRIC REPORT

The Board next recognized Ms. Foss, who presented and reviewed with the Board an engagement letter from MFS for the preparation of an annual EVO Metrics Report on behalf of the District, a copy of which is attached hereto as **Exhibit B**. 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. Director Welch expressed interest in displaying the EVO Metric Report on the District website once it is completed. Following discussion, Director Witt moved to approve the engagement letter with MFS to prepare an annual EVO Metrics Report on behalf of the District for a one-year term, subject to SPH's review and approval of same. Director Barbarino seconded said motion, which passed by a vote of four (4) in favor, and none (0) opposed, with Director Welch abstaining.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of May 31, 2019, attached hereto as **Exhibit C**, including the disbursements presented for payment from the Tax Account. Mr. Arce also presented a Delinquent Tax Roll dated as of May 31, 2019, 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 Witt 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 Attorney.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated June 24, 2019, 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 Witt moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, except check no. 6300, which was voided. Director Barbarino seconded said motion, which unanimously carried.

Mr. Rubinsky next reminded the Board of its previous discussion regarding separately tracking certain engineering fees related to the design of the proposed expansion of the District's Permanent Wastewater Treatment Plant, the design of proposed Water Plant No. 2, and the preparation and submittal to the Texas Commission on Environmental Quality ("TCEQ") of an application for waiver of elevated storage tank requirements. Ms. Crigger advised the Board that MA&C will continue to work with Van De Wiele and SPH to work on creating and maintaining spreadsheets to account for those certain separate engineering projects as discussed, as well as calculate budget expenses and reflect same in the Bookkeeper's Report.

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 connection therewith, Mr. Laseter advised the Board of a proposal he had received from Seaback through its subcontractor, Growth Services, Inc. for spraying to remove vegetation buildup off of Katy Gap Road, Roesner Road, and Falcon Park at a cost of approximately \$2,945. A copy of said proposal is attached hereto as **Exhibit E**. After discussion, Director Welch moved to approve the proposal from Seaback for spraying to remove vegetation buildup off in the Drainage Outfall Channel at Katy Gap Road, Roesner Road, and Falcon Park at a cost of \$2,945. Director Anzalotti seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated June 24, 2019, a copy of which is attached hereto as **Exhibit F**, 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"), Mr. Laseter reported that the design plans are approximately 75% complete, and that Van De Wiele is currently working on the design of the various components of the sludge thickening system, including the structure, thickener mechanism, and recycle pumps, as well as design of the clarifier structure and a new return sludge structure.

In connection with the preparation of a revised survey and legal descriptions of the proposed Water Plant No. 2 Site and 50' Temporary Access and Utility Easement and the Sanitary Control Easement and 10' Water Line Easements required in connection therewith, Mr. Laseter reported to the Board that said revised survey and legal descriptions have been requested

of the surveyor. Mr. Rubinsky noted that a Phase I Environmental Study of the Water Plant No. 2 Site will have to be ordered once said survey and legal descriptions are provided.

In connection with the status of the 8-Inch Water Line extension along Katy-Gap Road, Mr. Rubinsky reported to the Board that owner/lienholder reports have been received and that SPH is in the process of preparing the two (2) necessary Water Line Easements relative to same.

Mr. Rubinsky next reviewed the proposed Consent to Encroachment and Indemnity Agreement between the District and Keivans Capital Partners, Series LLC, Series 2 ("Keivans") in connection with various District easements that are proposed to be encroached upon by certain signs to be constructed on Keivans's property. Following discussion on the matter, Director Barbarino moved that the Consent to Encroachment Agreement and Indemnity Agreement between the District and Keivans be approved, subject to acceptance and execution by Keivans, and that the President be authorized to execute same on behalf of the Board and the District. Director Witt seconded said motion, which unanimously carried.

In connection with the maintenance of the detention pond constructed by Harris County on property acquired from J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"), now known as HCFCD Unit No. T506-02-00 (the "Moore Heights Detention Pond"), Mr. Rubinsky reminded the Board that the District previously received a letter from the Harris County Flood Control District ("HCFCD") offering to enter into a Mowing Reimbursement Agreement ("Mowing Agreement") with the District for the Moore Heights Detention Pond, and further advised that SPH is in contact with a new representative at HCFCD and will provide an update regarding the status of the proposed Mowing Agreement at its next meeting.

In connection with the Notice of Enforcement for Modified Comprehensive Compliance Investigation of the District's Water Supply System previously received from the TCEQ, Mr. Laseter reported to the Board that Van De Wiele has submitted an application to the TCEQ for waiver of the elevated storage tank requirements on June 17, 2019. A lengthy discussion followed concerning whether said waiver will satisfy the requirements in the proposed Agreed Order since the District does not intend to and clearly cannot construct an elevated storage tank within 180 days of the TCEQ's approval of the Agreed Order. Messrs. Laseter and Rubinsky agreed to set up a conference call with the TCEQ to discuss same. After further discussion, the Board concurred to authorize (i) the President to execute the Agreed Order on behalf of the Board and the District, (ii) MA&C to issue a check to the TCEQ in the amount to \$720.00, as stated therein, and (iii) the District's consultants to discuss the matter further with the TCEQ and submit the executed Agreed Order and administrative penalty to the TCEQ by the appropriate deadline.

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.

UTILITY COMMITMENTS

The Board next considered utility commitment requests. In connection therewith, Mr. Rubinsky advised the Board of a request for a utility commitment received by the District from Randolph-Brooks Federal Credit Union ("RBFCU") for water and sewer service for the proposed development of a 1.0149 acre tract in the I-10 Bella Terra Subdivision, previously owned by Mr. Baker. After discussion, Director Anzalotti moved that the Board approve the issuance of a utility commitment to RBFCU, as requested, subject to SPH completion and the District's receipt of the TEC Form 1295 from RBFCU relative to same. Director Witt seconded said motion, which unanimously carried.

STATUS OF ANNEXATION FEASIBILITY STUDY

Mr. Rubinsky reminded the Board of Jose Criollo's request for Van De Wiele to perform an annexation feasibility study in connection with the proposed annexation into the District of Mr. Criollo's approximate 0.74 acre tract on Kingsland Blvd. Mr. Laseter advised that Van De Wiele has requested the site development plans for Mr. Criollo's property, and will proceed with said study once in receipt of same.

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. Director Anzalotti advised that he has requested documentation related to said improvements from the HOA on numerous occasions but has not received same and, therefore, recommended said item be removed from any future agendas.

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

In connection with the status of 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 the District's previous engagement of JLL Valuation & Advisory Services ("JLL") to 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. He then advised that JLL is working on said matter.

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. Director Welch then recommended that Director Barbarino and Director Anzalotti be

appointed to be on a sub-committee of the Board to develop a District communications to plan for the District's future use. The Board concurred with Director Welch's recommendation.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

The Board next reviewed the Harris County Sheriff's Office's ("HCSO") Contract Report for May 2019, a copy of which is attached hereto as **Exhibit G**. No action was required of the Board at this time.

RECORDS DESTRUCTION REQUEST

Mr. Rubinsky next reported that the District's General Records Retention Schedule adopted in connection with its Records Management Program requires that the hand written notes taken during Board meetings which are used to prepare the official minutes of Board meetings must be retained for ninety (90) days after approval of such minutes by the Board. He next presented a request from the Records Management Officer for approval to destroy all such notes from February 26, 2018 through November 26, 2018, as allowed by said Schedule. After discussion, Director Barbarino moved that SPH be authorized to destroy all of said notes, as set forth above. Director Witt seconded said motion, which carried unanimously.

VOTING SYSTEM ANNUAL FILING FORM

The Board next considered authorizing the completion, execution and filing with the Texas Secretary of State of a Voting System Annual Filing Form relative to District elections. Mr. Rubinsky advised that, pursuant to Section 123.061 of the Texas Election Code, each political subdivision in the State of Texas is required to complete and file said Form with the Secretary of State's Office. After discussion, Director Anzalotti moved that SPH be authorized to complete, execute and submit the Voting System Annual Filing Form to the Texas Secretary of State's Office on behalf of the Board and the District. Director Welch seconded said motion, which unanimously carried.

ATTORNEY'S REPORT

The Board considered the Attorney's Report. Mr. Rubinsky presented to and reviewed with the Board a Legislative Summary Report regarding the 86th Regular Session of the Texas Legislature dated June 20, 2019, prepared by SPH, a copy of which is attached hereto as **Exhibit H**.

Mr. Rubinsky next presented and reviewed with the Board a memorandum from the Fort Bend Central Appraisal District ("FBCAD"), dated May 28, 2019, regarding the FBCAD's 2019 Board Election, a copy of which is attached hereto as **Exhibit I**. Following discussion, the Board concurred that no action was required on its part at this time.

DISTRICT WEBSITE

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

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

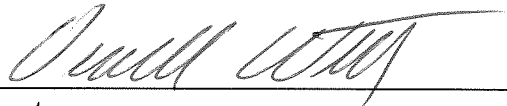
The Board deferred discussion regarding review of the District's consultants' contracts.

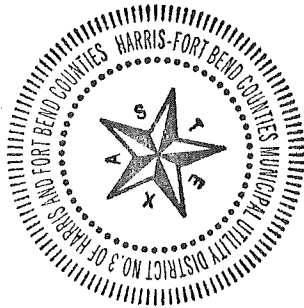
EXECUTIVE SESSION

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 Operator's Report
- Exhibit B Engagement Letter prepared by Municipal Financial Services, LLC in connection with EVO Report
- Exhibit C Tax Assessor/Collector's Report
- Exhibit D Bookkeeper's Report
- Exhibit E Proposal prepared by Growth Services, Inc. on behalf of Seaback Maintenance, Inc.
- Exhibit F Engineer's Report
- Exhibit G Harris County Sheriff's Office's Contract Report
- Exhibit H Session Review of 86th Regular Session of the Texas Legislature prepared by SPH
- Exhibit I Memorandum from the Fort Bend Central Appraisal District