

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting July 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 July 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, except Director Anzalotti, thus constituting a quorum. Director Anzalotti entered later in the meeting, as noted herein.

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"); Richard Fletcher and Robin Humphrey of HdL Companies ("HdL"); Jae Moore and Keith Gunst of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); 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 June 24, 2019. Following discussion, Director Witt moved that the minutes of the Board of Directors meeting held on June 24, 2019, be approved as written. Director Barbarino seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Mr. Arce presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of June 30, 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 June 30, 2019, 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 Witt 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 July 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 HdL 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 Second Quarter - 2019, a Sales Tax Net Payment Trend Report and a Sales Tax Reconciliation Summary for 2019 Quarter 1 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit C**. Following review of said reports, Mr. Fletcher reported that HdL recommends payment of \$80,318.56 to Katy ABC for 2019 Quarter 1 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 Barbarino moved that the Sales Tax Report for the First Quarter – 2019 and the development payment of \$80,318.56 to Katy ABC for 2019 Quarter 1 be approved, as recommended by HdL. Director Witt seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated July 22, 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 Welch moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts. Director Barbarino seconded said motion, which unanimously carried.

REVIEW OF PRELIMINARY PLAN OF FINANCING AND ESTABLISH PARAMETERS FOR SALE OF THE DISTRICT'S PROPOSED UNLIMITED TAX REFUNDING BONDS SERIES 2019

Ms. Shelton 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 through the proposed issuance of the District's proposed Unlimited Tax Refunding Bonds, Series 2019 (the "Refunding Bonds"). In connection therewith, Ms. Shelton presented to and reviewed with the Board a Preliminary Plan of Financing prepared by Masterson, a copy of which is attached hereto as **Exhibit E**.

Ms. Shelton noted that market conditions have changed since Masterson initially approached the Board with the refunding bond opportunity earlier this year. Based on today's market conditions, Ms. Shelton advised the Board that the District could expect to achieve a net present value savings of approximately 6.92% of the principal amount of the bonds proposed to be refunded. After a thorough review and discussion concerning the Preliminary Plan of Financing presented by Ms. Shelton, Director Barbarino moved that (i) the District proceed with the issuance of the Refunding Bonds as outlined in the attached Preliminary Plan of Financing, and (ii) the District's consultants be authorized to proceed with the preparation of a final Plan of Financing and a Pricing Certificate in connection therewith, subject to the District achieving a minimum net present value savings of at least 6.92% at the time of the sale of the Refunding Bonds, which approval to proceed shall be valid for sixty (60) days, from today. Director Witt seconded said motion, which unanimously carried.

APPROVAL OF ORDER AUTHORIZING ISSUANCE OF REFUNDING BONDS AND DELEGATION OF AUTHORITY PURSUANT TO TEXAS GOVERNMENT CODE SECTION 1207.007

Mr. Rubinsky stated that the District, pursuant to Texas Government Code Section 1207.007, may delegate authority to any officer of the Board to take certain acts to effect the sale of the Refunding Bonds, subject to the minimum parameters for the transaction established by the Board being met. The Board discussed the parameters previously established in the meeting and concurred to maintain the requirement of a minimum net present value savings of 6.92% and to delegate authority to Director Welch to take such actions as may be necessary and appropriate in connection with the sale of the Refunding Bonds, and authorize the President (or Vice President) and Secretary (or Assistant Secretary) to execute a Pricing Certificate and the President (or Vice President) and Secretary (or Assistant Secretary) to execute a Bond Purchase Agreement in connection therewith. After discussion, it was duly moved by Director Barbarino, seconded by Director Witt and unanimously carried, that Director Welch, or in his absence, Director Porter as Vice President, be delegated the authority to act on behalf of the District, in accordance with Texas Government Code Section 1207.007, to effectuate the sale of the Refunding Bonds, provided that the parameters set forth in the Bond Order as set forth above are met, with such delegated authority to expire sixty (60) days from today if the Refunding Bonds are not sold by said date, unless otherwise extended by the Board of Directors.

DESIGNATION OF UNDERWRITER RELATIVE TO REFUNDING BONDS; DESIGNATION OF OFFICER TO RECEIVE AND ACKNOWLEDGE RECEIPT OF MSRB RULE G-17 DISCLOSURES AND APPROVAL OF FORM OF BOND PURCHASE AGREEMENT

The Board next considered the designation of an Underwriter relative to the District's Refunding Bonds and the designation of an officer to receive and acknowledge the receipt of MSRB Rule G-17 disclosures of role, compensation, material conflicts of interest and material financial characteristics and risks of the financing structure provided by the proposed Underwriter. In connection therewith, Ms. Shelton reminded the Board that she presented a Ranking of Underwriters in the Special District Market to the Board last month and recommended that the Board select SAMCO Capital Markets, Inc. ("SAMCO") as the underwriter for the Refunding Bonds. After discussion, Director Barbarino moved that (i)

SAMCO be designated as Underwriter for the Refunding Bonds, (ii) Director Welch be designated to receive and execute, subject to SPH's prior review and approval, said correspondence acknowledging receipt of the MSRB Rule G-17 disclosures from SAMCO, and (iii) the form of Bond Purchase Agreement to be executed by the District and SAMCO be approved, subject to inclusion of the terms of pricing when available. Director Witt seconded said motion, which carried unanimously.

ENGAGEMENT OF SPECIAL TAX COUNSEL

The Board then discussed the engagement of Special Tax Counsel relative to the District's Refunding Bonds. Mr. Rubinsky recommended that the Board consider engaging the firm of McCall, Parkhurst & Horton, L.L.P. ("MPH") to perform such services for the District. After discussion, Director Barbarino moved that (i) MPH be engaged as Special Tax Counsel in connection with the District's Refunding Bonds, subject to the terms of the engagement letter. Director Witt seconded said motion, which carried unanimously.

DESIGNATION OF PAYING AGENT/REGISTRAR RELATIVE TO THE REFUNDING BONDS

The Board next considered the designation of a Paying Agent/Registrar and the approval and execution of a Paying Agent/Registrar Agreement in connection with the District's Refunding Bonds. Ms. Shelton advised that Regions Bank ("Regions") is serving as Paying Agent for the Refunded Bonds, and recommended that Regions also serve as Paying Agent for the Refunding Bonds. After discussion, Director Barbarino moved that Regions be designated as Paying Agent/Registrar in connection with the District's Refunding Bonds. Director Witt seconded said motion, which carried unanimously.

DESIGNATION OF ESCROW AGENT RELATIVE TO THE REFUNDING BONDS

The Board next considered the designation of an Escrow Agent relative to the District's Refunding Bonds. Ms. Shelton recommended that Regions be designated as Escrow Agent for the Refunding Bonds. After discussion, Director Barbarino moved that Regions be designated as Escrow Agent in connection with the District's Refunding Bonds. Director Witt seconded said motion, which unanimously carried.

DESIGNATION OF VERIFICATION AGENT RELATIVE TO REFUNDING BONDS

The Board next considered the designation of a Verification Agent relative to the District's Refunding Bonds. Mr. Rubinsky advised the Board that, pursuant to the City of Houston's refunding bond ordinance, the District is required to engage an independent accountant to conduct an audit to verify compliance with the requirements of such ordinance and to verify the savings to be experienced by the District as a result of the issuance of the Refunding Bonds. Ms. Shelton recommended the Board engage Public Finance Partners LLC to act as Verification Agent in connection with the Refunding Bonds. After discussion, Director Barbarino moved that the Board engage the services of Public Finance Partners LLC to act as Verification Agent for the District's Refunding Bonds. Director Witt seconded said motion, which carried unanimously.

APPROVAL OF SUPPLEMENTAL ENGAGEMENT LETTER WITH SPH RELATIVE TO THE REFUNDING BONDS

The Board next considered the approval of a Supplement to Agreement for Legal Services between the District and SPH. Mr. Rubinsky discussed with the Board SPH's current fee schedule for bond counsel services in connection with refunding bonds. After discussion, Director Barbarino moved to approve the Supplement to Agreement for Legal Services between the District and SPH relative to serving as Bond Counsel in connection with the Refunding Bonds and authorized the President to execute same on behalf of the Board and District. Director Witt seconded said motion, which was 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 July 22, 2019, a copy of which is attached hereto as **Exhibit F**. 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 a Write-Off Report, as set forth therein. Ms. Falke advised that there were forty-eight (48) customer accounts listed on the Delinquent Accounts Report this month.

Ms. Falke next requested the Board's authorization to write off the eight (8) delinquent accounts listed in her Report, and to forward said accounts to PenCredit for further collection action on behalf of the District. After discussion, Director Welch moved that EDP be authorized to forward the eight (8) subject delinquent accounts listed on the Write-Off Report to collections. Director Barbarino seconded said motion, which carried unanimously.

FOURTH AMENDMENT TO AGREEMENT FOR OPERATING SERVICES WITH EDP

The Board next considered amending its Agreement for Operating Services with EDP. In connection therewith, Ms. Falke presented and reviewed with the Board a proposed Fourth Amendment to Agreement for Operating Services. She advised that the Agreement was being amended to address the acquisition of chemicals required by the Operator to operate the District's system and grounds keeping and mowing of District facilities, as well as to adjust the schedule of rates changed by the Operator of the District. After discussion, Director Witt moved that (i) the Fourth Amendment to Agreement for Operating Services with EDP, attached hereto as **Exhibit G**, be approved subject to final review and approval of SPH, (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 same, and (iv) that SPH be authorized to acknowledge receipt of the TEC Form 1295. 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 Maintenance, Inc. ("Seaback"). In connection therewith, Mr. Laseter reported to the Board that the spraying to remove vegetation buildup off of Katy Gap Road, Roesner Road, and Falcon Park project is complete. He further recommended that the Board authorize Seaback to spray to remove vegetation buildup in the Drainage Outfall Channel every two months rather than spraying quarterly as previously approved by the Board, to which the Board concurred.

ENGINEER'S REPORT

Mr. Laseter presented and reviewed with the Board a written Engineer's Report dated July 22, 2019, a copy of which is attached hereto as Exhibit H, 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 85% complete, and that Van De Wiele is continuing to work on the design of the various components of the clarifier/ sludge thickener integration with the aerobic digesters, including the return sludge and waste sludge systems, and both mechanical and control systems related to automatic and manual override. He further reported that he has requested information on the projected irrigation demand for the parks/trails system from Talley Landscape Architects, Inc. ("Talley") for use in the design of the effluent reclamation and reuse project.

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 received from the surveyor. After discussion, Director Welch moved to authorize Van De Wiele to order a Phase I Environmental Study of the Water Plant No. 2 Site. Director Barbarino seconded said motion, which was unanimously carried.

Director Anzalotti entered the meeting at this time.

In connection with the maintenance of the detention pond constructed by Harris County on property acquired from 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 corresponded with 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 that the subject request is pending approval from HCFCD's Project Manager. He advised he 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.

Rubinsky reported to the Board that after the conference call between the TCEQ, Van De Wiele, SPH, and EDP, the TCEQ agreed to revise the proposed Agreed Order to remove the language requiring the District to construct an elevated storage tank ("EST") within 180 days of the TCEQ's approval of the Agreed Order since the District does not plan on constructing an EST. After further discussion, the Board concurred to authorize (i) the President to execute the revised 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) submit the executed revised 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 reviewed with the Board a press report regarding the status of development of Katy Ranch Crossing by Katy ABC Properties. Mr. Moore next introduced Mr. Gunst as a new associate of J.K. Moore, and reported on the status of development of 18.23 acres within Moore Heights Subdivision.

UTILITY COMMITMENTS

The Board next considered utility commitment requests. In connection therewith, Mr. Rubinsky advised the Board that SPH is currently waiting to receive an executed utility commitment from (i) Randolph-Brooks Federal Credit Union 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, and (ii) Katy New Horizons, LLC for water and sewer service for the proposed development of a 0.754 acre tract located in Restricted Reserve "B" in Block One of Rover Oaks Subdivision, and further advised that an update regarding the status of said utility commitments will be provided at the next meeting.

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 received the site development plans from Mr. Criollo's property and will proceed with said study.

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

The Board deferred review of the matters concerning the status of the proposed acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three by the District for a Park Site, after noting that said matter would be discussed in Closed Session.

STATUS OF MASTER PARKS PLAN PREPARED BY 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 Grand Harbor HOA.

HARRIS COUNTY SHERIFF'S OFFICE SECURITY REPORT

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

ATTORNEY'S REPORT

The Board considered the Attorney's Report. In connection therewith, Mr. Rubinsky reported to the Board that he received an email from Director Barbarino relaying concern from the Towns at Seville HOA regarding a certain tract of land located in Reserve "F" of the Towns at Seville Replat No. 1, Block "B" that has not been well maintained. Mr. Laseter noted that said tract is part of the future Roesner Road right-of-way and may be under Harris County's jurisdiction to maintain. After discussion, Mr. Rubinsky advised Director Barbarino to report to the Towns at Seville HOA that the District does not have the authority to maintain the subject tract since it does not belong to the District.

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.

CLOSED EXECUTIVE SESSION

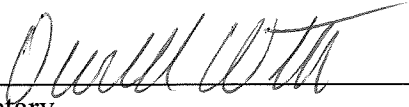
The Board President announced at 1:05 p.m. that the Board would convene in Closed Session, as authorized pursuant to Texas Government Code, Section 551.072 to discuss the acquisition of real property interests. Those in attendance, with the exception of the Board, Mr. Rubinsky and Ms. Knight exited at this time.

At 1:10 p.m., the Board reconvened in Open Session.

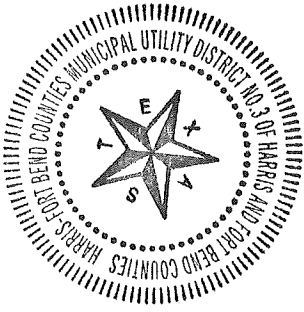
Following discussion, Director Welch moved to authorize the District's condemnation counsel, Hunton Andrews Kurth, to prepare and submit a final Offer Letter to the Grand Harbor HOA, including the final market value before moving forward with condemnation proceedings for the proposed acquisition of Restricted Reserve "E" in Lakes of Grand Harbor, Section Three. Director Witt seconded said motion, which unanimously carried.

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

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| Exhibit A | Tax Assessor/Collector's Report |
| Exhibit B | Delinquent Tax Report |
| Exhibit C | Sales Tax Report – Second Quarter 2019 and Katy Ranch Development Area Reconciliation Report – First Quarter 2019 |
| Exhibit D | Bookkeeper's Report |
| Exhibit E | Preliminary Plan of Financing prepared by Masterson in connection with Series 2019 Refunding Bonds |
| Exhibit F | Operator's Report |
| Exhibit G | Fourth Amendment to Agreement for Operating Services |
| Exhibit H | Engineer's Report |
| Exhibit I | Harris County Sheriff's Office's Contract Report |