

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting January 22, 2024

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on January 22, 2024, 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
W. Derrell Witt, Vice President
Frank Anzalotti, Secretary
Richard Breihan, Assistant Secretary
Danny Williams, Assistant Secretary

all of whom announced they were present, thus constituting a quorum.

Also present were Mike Baker of Katy ABC Properties ("Katy ABC"); Tom Laseter and William Regner of Vogler & Spencer Engineering, Inc. ("VSE"); Raquel Garcia and Amanda Benz of Environmental Development Partners, LLC, ("EDP"); Joseph Hopper of Storm Water Solutions, LLC ("SWS"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Robin Humphrey of HdL Companies ("HdL"); Drake Dominy of Pelican Builders, Inc. ("Pelican"); Aimee Ordeneaux of Texas Pride Disposal Solutions, LLC ("Texas Pride"); Taylor Watson of Municipal Accounts & Consulting, L.P. ("MA&C"); Merrie Talley of Talley Landscape Architects Inc. ("TLA"); and Abraham Rubinsky, Kate Henderson and Hollie Rhodes of Schwartz, Page & Harding, L.L.P. ("SPH"). Ms. Talley entered the meeting after it had been called to order as noted herein.

The President called the meeting to order and declared same open for business as might properly come before it.

PUBLIC COMMENTS

Mr. Rubinsky noted that the first item on the agenda was to open the meeting for public comments. There being no comments from the members of the public present, the Board continued to the next item of business.

APPROVAL OF MINUTES

The Board next considered approval of the minutes of its Board of Directors meetings held on November 17, 2023, November 27, 2023, and December 26, 2023. Following discussion, Director Welch moved that the Board approve the minutes of its Board of Directors meetings held on November 17, 2023, and November 27, 2023, as presented. Director Williams seconded said motion, which unanimously carried. The Board deferred approval of the minutes of its Board of Directors meeting held on December 26, 2023, until its next meeting.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Luevano presented to and reviewed with the Board the Tax Assessor-Collector's Report prepared by Wheeler dated as of December 31, 2023, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. 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 Breihan seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Rubinsky presented to 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 22, 2024, a copy of which is attached hereto as **Exhibit B**. He advised the Board that Perdue Brandon is recommending that four (4) personal property accounts be moved to the uncollectible roll, as reflected on page one of the Delinquent Tax Report. Mr. Rubinsky further noted that lawsuits have been filed against Integrative Holding TX LLC, KEMMLO Properties LLC, Westchase Imaging and Freerolls Poker Clubs Inc. Following discussion, it was moved by Director Welch, seconded by Director Williams and unanimously carried, that the four (4) personal property accounts reflected on page one of the Delinquent Tax Report be moved to the uncollectible roll, as recommended by Perdue Brandon.

ADOPTION OF A 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 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 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 for at least 60 days. After discussion, it was moved by Director Williams, seconded by Director Welch, and unanimously carried that the attached Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board, and that Perdue Brandon be authorized to proceed with the collection of the District's 2023 delinquent personal property accounts following proper notice as provided in said Resolution, including the filing of lawsuits, as necessary.

ADOPTION OF A RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

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 the year 2024 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 the calendar year 2024, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After further discussion of the matter, Director Anzalotti moved that the District (a) grant the residential homestead exemption of 10%, but not less than \$5,000, and (b) grant an exemption for persons under a disability or sixty-five years of age or older in the amount of \$30,000 from ad valorem taxes levied by the District during the calendar year 2024, and that the Resolution Concerning Exemptions From Taxation, attached hereto as **Exhibit D**, relative to same be approved and adopted by the Board and District. Director Breihan 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 HdL in connection with monitoring of sales tax collections within the District by the City of Houston ("City") pursuant to the Strategic Partnership Agreement with the District. In that regard, Ms. Humphrey presented to and reviewed with the Board a SPA STAR Report for the Fourth Quarter - 2023, a Sales Tax Net Payment Trend Report, and a Sales Tax Reconciliation Summary for 2023 Quarter 3 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit E**. Following review of said reports, Ms. Humphrey reported that HdL recommends payment of \$89,737.54 to Katy ABC for 2023 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 Williams moved that the Sales Tax Report for the Fourth Quarter - 2023 and the development payment of \$89,737.54 to Katy ABC for 2023 Quarter 3 be approved, as recommended by HdL. Director Welch seconded said motion, which carried unanimously. Ms. Humphrey further reported that HdL reviewed the list of businesses within the limited purposed annexation area within the District provided by the City and responded to the City's request for any updates prior to the deadline for submittal of same.

Ms. Luevano and Ms. Humphrey exiting the meeting at this time.

DISCUSSION REGARDING TEXAS PRIDE'S REQUEST FOR A VARIABLE ENERGY CHARGE

The Board next recognized Ms. Ordeneaux, who addressed the Board regarding a proposed Second Amendment to the Residential Solid Waste and Recycling Collection Agreement by and between the District and Texas Pride (the "Agreement") to provide for a variable energy charge, with such variable energy charge percentage to be capped at five percent (5%) of the monthly average fuel price, to be effective January 1, 2024, as reflected in the correspondence from Texas Pride dated October 2023, a copy of which is attached hereto as **Exhibit F**. A lengthy discussion ensued regarding the variable energy charge. Mr. Rubinsky then reminded the Board that effective March 1, 2024, the District's rate per connection will increase from \$19.42 to \$20.68, which is a 6.55% increase, due to the annual Consumer Price Index adjustment. Mr. Rubinsky then questioned whether the Board wished to amend its Sanitary Sewer rate to account for the increased rate. After discussion, Ms. Ordeneaux agreed to defer implementation of the variable energy charge until March 1, 2024. The Board then concurred to defer action relative to the approval of the proposed Second Amendment to the Agreement pending SPH's review and approval of same,

as well as the proposed amendment of the District's Rate Order, until the February Board Meeting.

Ms. Ordeneaux exited the meeting at this time.

BOOKKEEPER'S REPORT

Mr. Watson presented to and reviewed with the Board the Bookkeeper's Report dated January 22, 2024, a copy of which is attached as **Exhibit G**, including the disbursements presented therein. After discussion, it was moved by Director Anzalotti that the Bookkeeper's Report be approved, and that the disbursements identified in the report be approved for payment. Director Witt seconded said motion, which unanimously carried.

Ms. Talley entered the meeting during the Bookkeeper's report.

ADOPTION OF RESOLUTION ADOPTING LIST OF QUALIFIED BROKERS AUTHORIZED TO ENGAGE IN INVESTMENT TRANSACTIONS WITH THE DISTRICT

The Board next considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Rubinsky advised that, pursuant to the Public Funds Investment Act and the terms of the District's Investment Policy, the Board is required to review and revise, if necessary, such list at least annually. He then presented to and reviewed with the Board a list of financial institutions, brokers and dealers authorized to engage in investment transactions with the District, a copy of which is attached hereto as **Exhibit H**, as compared to the list previously adopted by the Board. Mr. Rubinsky noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but that it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion on the matter, Director Welch moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, attached hereto as **Exhibit I**, be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Anzalotti 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 Chapter 403, Government Code, and Chapter 203, Local Government Code, the District is required to submit information annually to the Texas Comptroller of Public Accounts (the "Comptroller") for inclusion in the Special Purpose District Public Information Database. Following discussion, it was moved by Director Welch, seconded by Director Williams and unanimously carried, that SPH be authorized to prepare the required information and submit same to the Comptroller for inclusion in the Special Purpose District Information Database, prior to April 1, 2024.

OPERATOR'S REPORT

The Board next considered the Operator's Report. In connection therewith, Ms. Garcia presented to and reviewed with the Board the Operator's Report dated January 22, 2024, a copy of which is attached hereto as **Exhibit J**. Ms. Garcia discussed various matters contained in the Report, including completed and upcoming maintenance and repair items, and presented and reviewed the Utility Billing Summary, Utility Billing Detail Report, Connection Count, Water Quality Monitoring Report, Water Accountability Report, Commercial Consumption Report, Monthly Pumpage Report, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein.

Ms. Garcia next addressed the Board concerning the District's 2024 Water Smart Application. After discussion, Director Welch moved that the Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program attached hereto as **Exhibit K** be adopted and that the President and Secretary be authorized to execute same on behalf of the Board and the District. Director Anzalotti seconded said motion, which unanimously carried.

AUTHORIZE OPERATOR TO PROVIDE REQUIRED INFORMATION TO DISTRICTS RECEIVING WATER FROM THE DISTRICT RELATIVE TO CONSUMER CONFIDENCE REPORTS

The Board next considered authorizing EDP to provide required information to districts that received water from the District in 2023 relative to 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, 2024, a report containing various information regarding the District's water supply to any other water supplier which received water from the District through an interconnect during the prior calendar year. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Williams and unanimously carried, that EDP be authorized to provide the required information as set forth hereinabove.

STATUS OF DISTRICT'S WATER PRODUCTION FACILITIES AND DISCUSSION CONCERNING DISTRICT RESPONSE TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY ("TCEQ") NOTICE OF VIOLATION

Mr. Rubinsky next addressed the Board concerning the history of communications with the TCEQ regarding the Notice of Violation for the Modified Comprehensive Compliance Investigation of Public Water Supply received from the TCEQ on October 18, 2022, which stated that the District is not providing enough water well capacity for its connections. Mr. Rubinsky advised the Board that VSE originally directed correspondence to the TCEQ on December 2, 2022 responding to said Notice of Violation, and sent follow up correspondence to the TCEQ on January 11, 2024, setting forth the schedule for construction of the District's Water Plant No. 2 and the emergency water supply plan that is in place with Cimarron Municipal Utility District for the provision of water to the District. He noted that the District has not received a response from the TCEQ.

MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES

The Board next considered the status of maintenance of the District's detention and drainage facilities by Seaback Maintenance, Inc. ("Seaback"). In connection therewith, Mr. Laseter addressed the Board concerning the invoices from Seaback for maintenance in the month of December 2023 in the total amount of \$6,375.00, and advised of the services provided by Seaback in connection therewith. No action was required by the Board at this time.

STORM WATER MANAGEMENT PROGRAM REPORT

The Board next recognized Mr. Hopper, who next presented to and reviewed with the Board a Storm Water Management Program Report from SWS, a copy of which is attached hereto as **Exhibit L**. Mr. Hopper noted that all of the District's permitted Storm Water quality features are working as designed and that there were no action items for the Board's consideration this month.

ENGINEER'S REPORT

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated January 22, 2024, a copy of which is attached hereto as **Exhibit M**, and discussed the status of the various projects within the District. With respect to the West Harris County Regional Water Authority's request for (i) a Water Line and Meter Easement in connection with its water line project, and (ii) the construction of a drainage outfall pipe from its proposed metering station to the District's Drainage Outfall Channel, Mr. Laseter advised the Board that he would follow up with DE Corp. regarding the status of the requested metes and bounds descriptions for same. Mr. Rubinsky then discussed with the Board the storm water detention requirements for the 6.87 acre tract Pelican is proposing to purchase from Jae Moore. Mr. Dominy advised that Pelican intends to close on the purchase of the tract by the end of this month, and that Pelican and Mr. Moore are working out the details with respect to the use of the existing storm water detention capacity in the Kingsland Boulevard Detention Pond. After discussion, it was moved by Director Welch, seconded by Director Breihan, and unanimously carried that the Engineer's Report and all action items listed therein be approved (except as noted below), including the approval or concurrence, as applicable, of all pay estimates, contract quantity adjustments, and change orders as may be listed therein (including the acceptance of any Texas Ethics Commission ("TEC") Form 1295 required in connection with change orders to construction contracts entered into directly by the District), including Pay Application No. 1 in the amount of \$361,827.00 from W.W. Payton in connection with the Water Plant No. 2 project. The Board deferred action relative to the acceptance of Water Meter Easements from Kilcommins Group Development Companies, LLC.

DEVELOPERS' REPORTS

Mr. Baker next updated the Board on the status of completion of his new retail development at Katy Ranch Crossing and provided an update on potential tenants.

In connection with the development of the Phase II Bella Professional Park project, there were no new updates reported.

As stated previously, Mr. Dominy next advised the Board that Pelican is scheduled to close on the purchase of the before mentioned 6.87 acre tract of land by the end of this month. He reported that Pelican intends to begin design of the proposed apartment complex with construction expected to commence in August or September 2024.

Mr. Rubinsky next briefly addressed the Board regarding recent email communications with Paul King regarding a request for information regarding future water and sanitary sewer capacities available to serve the Bing Family property.

Mr. Taylor exited the meeting at this time.

UTILITY COMMITMENTS

Mr. Rubinsky next addressed the Board regarding the utility commitment requested by J.K. Moore Real Estate Limited Partnership in connection with the proposed development of its remaining 7 acres in the District. He advised the Board that the utility commitment is pending VSE's and SPH's receipt of more specific development plans from the property.

STATUS OF PROPOSED ANNEXATION OF CRIOLLO TRACT

In connection with the proposed annexation of Jose Criollo's 0.74 acre tract on Kingsland Boulevard, Mr. Rubinsky stated that he is still working on obtaining a Sanitary Sewer Easement required from the Katy Community Fellowship Church ("the Church") to serve the proposed annexation tract.

MASTER PARKS PLAN PREPARED BY TALLEY LANDSCAPE ARCHITECTS, INC.

Regarding the District's Master Parks Plan prepared by TLA, Ms. Talley presented to and reviewed with the Board a Report dated January 22, 2024, a copy of which is attached hereto as **Exhibit N**, regarding the activities and work performed in November and December 2023 in connection with Phase 1A of the District's Master Park Plan. No action was required by the Board in connection with the TLA Report at this time.

Mr. Rubinsky exited the meeting during the above discussion.

DISCUSSION CONCERNING POTENTIAL USE OF DISTRICT'S DRY STORMWATER DETENTION PONDS FOR RECREATIONAL PURPOSES

The Board next deferred action on this matter at this time.

RENEWAL OF DISTRICT INSURANCE COVERAGES

The Board next discussed the renewal of the District's insurance coverages for the 2024-2025 term. Ms. Henderson advised the Board that the District's current insurance coverages are set to expire on March 31, 2024. After discussion on the matter, the Board requested that SPH solicit proposals from the District's current insurance carrier, Arthur J. Gallagher & Co., and from McDonald & Wessendorff Insurance Services, L.L.C. for consideration at its February meeting.

HARRIS COUNTY SHERIFF'S OFFICE ("HCSO") SECURITY REPORT AND FLOCK SAFETY REPORT

Ms. Henderson advised the Board that SPH did not receive a HCSO Security Report this month in time for the meeting. Ms. Henderson then presented for the Board's review a Flock Safety Report for the period December 23, 2023 through January 22, 2024, a copy of which is attached hereto as **Exhibit O**.

MATTERS RELATED TO MAY 4, 2024 DIRECTORS ELECTION

Ms. Henderson next reported on issues related to the District's Directors Election (the "Election") to be held on May 4, 2024. In connection therewith, Ms. Henderson presented to and discussed with the Board a Memorandum prepared by SPH, a copy of which is attached hereto as **Exhibit P**, regarding participation in the joint election with Fort Bend County (the "County"). In connection therewith, Ms. Henderson advised that the County will administer the Election if the District participates in the County's joint election. Following discussion, it was moved by Director Welch, seconded by Director Breihan and unanimously carried, that SPH be authorized to notify the County of the District's intent to participate in the joint Election.

SUPPLEMENTAL AGENDA REGARDING MAY 4, 2024 DIRECTORS ELECTION

The Board next considered calling the Election in accordance with the requirements of the Texas Water Code. In connection therewith, Ms. Henderson presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit Q** calling the Election to be held on May 4, 2024. It was noted that the terms of office of Directors Witt and Anzalotti expire in May of this year. In reviewing the Order with the Board, Ms. Henderson advised that the Order provides for the conduct of the Election by the County, jointly with elections of other political subdivision, using County election officials, voting equipment, and polling locations at a shared expense. He advised that, although the County will conduct the Election, the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Election, and that the Order named Hollie Rhodes as such agent (the "Election Agent"). Ms. Henderson further advised the Board that notice of the Election must be given in accordance with the requirements of the Texas Election Code. Ms. Henderson advised the Board that notice of the

Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in each County election precinct that overlaps the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. Following discussion of the options, the Board concurred that notice of the Election be given by posting same at a public place in each County election precinct that overlaps the District. Ms. Henderson also noted that the County will determine the compensation paid to the County election officials. After discussion on the matter, Director Anzalotti moved that said Order be passed and adopted, that the President and Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Election in accordance with the Order. Director Witt seconded said motion, which unanimously carried. Ms. Henderson advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 20, 2024, the Board may thereafter cancel the Election in accordance with the Texas Election Code.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Ms. Henderson advised the Board that she had nothing further to discuss with the Board of a legal nature which was not covered under specific agenda items.

DISTRICT WEBSITE

Ms. Henderson next advised the Board that she had no activity upon which to report regarding the District's website.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

The Board deferred action on this matter at this time.

CLOSED 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. Except as may be reflected above, there were no additional agenda items requested other than routine, ongoing matters.

ADJOURNMENT

There being no further business to come before the Board, upon motion made by Director Welch, seconded by Director Breihan, and unanimously carried, the meeting was adjourned.

[seal]

Secretary

DRAFT

LIST OF EXHIBITS

<u>Exhibit A</u>	Tax Assessor-Collector's Report
<u>Exhibit B</u>	Delinquent Tax Report
<u>Exhibit C</u>	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
<u>Exhibit D</u>	Resolution Concerning Exemptions From Taxation
<u>Exhibit E</u>	SPA STAR Report for the Fourth Quarter - 2023, Sales Tax Net Payment Trend Report, and Sales Tax Reconciliation Summary for 2023 Quarter 3 related to the Katy Ranch Development Area
<u>Exhibit F</u>	Correspondence from Texas Pride dated October 2023
<u>Exhibit G</u>	Bookkeeper's Report
<u>Exhibit H</u>	List of Financial Institutions, Brokers and Dealers as Compared to List Previously Adopted by the Board
<u>Exhibit I</u>	Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District
<u>Exhibit J</u>	Operator's Report
<u>Exhibit K</u>	Resolution Approving Submittal of the Water Smart Application for Inclusion in the Association of Water Board Directors Water Smart Partners Program
<u>Exhibit L</u>	Storm Water Management Program Report
<u>Exhibit M</u>	Engineer's Report
<u>Exhibit N</u>	Talley Landscape Architects Inc. Report
<u>Exhibit O</u>	Flock Safety Report
<u>Exhibit P</u>	Memorandum regarding May 4, 2024 Directors Election
<u>Exhibit Q</u>	Order Calling Directors Election