

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting April 24, 2023

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on April 24, 2023, 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, except Director Anzalotti, thus constituting a quorum.

Also present were Mike Baker of Katy ABC Properties ("Katy ABC"); Jae Moore of J.K. Moore Real Estate Limited Partnership, Ltd. ("J.K. Moore"); Drake Dominy of Pelican Builders, Inc. ("Pelican"); Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Cathy Falke and Raquel Garcia of Inframark, LLC ("Inframark"); Rahi Patel of Municipal Accounts & Consulting, L.P. ("MA&C"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Robin Humphrey of HdL Companies ("HdL"); Colette Garcia of McGrath & Co., PLLC ("McGrath"); and Abraham Rubinsky and Kit Collins 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.

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 February 27, 2023 and March 27, 2023. Following discussion, Director Welch moved that the Board approve the minutes of its Board of Directors meetings held on February 27, 2023 and March 27, 2023, as presented. Director Williams seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Luevano presented to and reviewed with the Board the Tax Assessor-Collector's

Report dated as of March 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 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 Breihan seconded said motion, which carried unanimously.

DISCUSSION CONCERNING LAKESIDE PLACE PFC ACQUISITIONS IN THE DISTRICT AND EFFECT ON DISTRICT VALUES

Mr. Rubinsky advised the Board that two multi-family developments properties in the District (Premier at Katy Apartments, Phase II LLC and Katy Ranch Apartments) apparently have been acquired by Lakeside Place Public Facility Corporation, an entity affiliated with the Houston Housing Authority. He advised that pursuant to the acquisition of the properties by Lakeside Place PFC, the projects will now be tax-exempt, resulting in the significant loss of tax revenues to the District. Mr. Rubinsky then discussed possible actions the District may take to recoup the loss in revenues resulting from the change in taxable status of the projects. He noted that no action was required by the Board on this matter at this time, but that he expects to be able to provide additional information at the next Board meeting.

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 April 24, 2023, a copy of which is attached hereto as **Exhibit B**. Mr. Rubinsky noted that the 2019-2022 taxes for Account No. 130-456-001-0046 are still delinquent and requested the Board authorize Perdue Brandon to file suit to collect same. Following discussion, Director Welch moved to authorize Perdue Brandon to file suit to collect the delinquent 2019-2022 taxes owed by Account No. 130-456-001-0046. Director Breihan seconded the motion, which passed unanimously.

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 30, 2023. After further discussion, it was moved by Director Welch, seconded by Director Williams, and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Real Property Taxes, which is attached hereto as **Exhibit C**, be adopted by the Board, and that Perdue Brandon be authorized to proceed with the collection of the District's

2022 delinquent real property tax accounts beginning on July 1, 2023, including the filing of lawsuits as necessary, subject to proper notice having been given as provided in said Resolution.

Ms. Luevano exited the meeting 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 Development Area 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 First Quarter - 2023, a Sales Tax Net Payment Trend Report, and a Sales Tax Reconciliation Summary for 2022 Quarter 4 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit D**. Following review of said reports, Ms. Humphrey advised that HdL recommends payment of \$102,037.87 to Katy ABC for 2022 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 2022 Quarter 4 and the payment of \$102,037.87 to Katy ABC for 2022 Quarter 4 be approved, as recommended by HdL. Director Breihan seconded said motion, which carried unanimously.

Ms. Humphrey next advised the Board that HdL had received a request from Mr. Baker for a supplemental audit related to a business within Katy Ranch Crossing that failed to report its sales for the periods of July-December 2019, April-December 2020, and all of 2021. Ms. Humphrey advised that the District had not previously made any payments to Katy ABC from sales taxes received by the City for those periods since the business had not reported any. Mr. Baker then agreed that Katy ABC would pay for the costs of the supplemental audit. After further discussion, the Board authorized HdL to conduct the supplemental audit, subject to Katy ABC paying the costs for same.

Ms. Humphrey exited the meeting at this time.

BOOKKEEPER'S REPORT

Mr. Patel presented to and reviewed with the Board the Bookkeeper's Report dated April 24, 2023, a copy of which is attached as **Exhibit E**, including the disbursements presented for payment from the District's General Operating Account and the Construction Account. Mr. Patel noted that check no. 8730 would be voided and reissued as it was not included in the checks presented for signature today. Mr. Rubinsky made several inquiries regarding items in the Bookkeeper's Report, and Mr. Patel responded to same. Upon motion made by Director Witt, seconded by Director Williams, and unanimously carried, the Board approved the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, excluding check nos. 8701 and 8730.

Mr. Patel exited the meeting at this time.

RATIFY PRIOR APPROVAL OF ANNUAL ARBITRAGE ANALYSIS REPORT

Mr. Rubinsky next requested that the Board ratify its prior approval of the Annual Maintenance for Arbitrage Analysis Report prepared by Municipal Risk Management Group, L.L.C. ("MRMG") dated March 2, 2023, a copy of which is attached hereto as **Exhibit F**, which was presented to and reviewed with the Board at its meeting held March 27, 2023. After discussion on the matter, Director Welch moved that the Board ratify its prior approval of the Annual Maintenance for Arbitrage Analysis Report presented at last month's meeting. Director Breihan seconded said motion, which unanimously carried.

ANNUAL AUDIT REPORT FOR THE DISTRICT'S FISCAL YEAR ENDED DECEMBER 31, 2022

The Board next considered the approval of the District's Audit Report prepared by McGrath for the fiscal year ended December 31, 2022, a copy of which is attached hereto as **Exhibit G**. Ms. Garcia reviewed various sections of the Audit Report with the Board. After due deliberation and consideration, it was moved by Director Welch, seconded by Director Witt and unanimously carried, that: (i) the Audit Report for the fiscal year ended December 31, 2022, be approved, subject to SPH's final review and approval; (ii) the President be authorized to execute the Annual Filing Affidavit and McGrath's letter of representation on behalf of the Board and District; and (iii) the Audit Report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the Texas Commission on Environmental Quality ("TCEQ"), by the applicable deadline.

In connection with the District's Audit, Ms. Garcia also presented the Board with a draft Management Letter prepared by McGrath (the "Management Letter"), a copy of which is included in **Exhibit G** attached hereto, concerning the Board's internal controls over financial reporting and the material weaknesses noted therein. Ms. Garcia advised the Board that the Management Letter is being submitted in connection with the requirements of Statement on Auditing Standards No. 115 and includes Management's Response to said letter, which was provided by SPH. After discussion, it was moved by Director Welch, seconded by Director Witt, and unanimously carried that the draft Management's Response be approved, as presented, and that same be included in the final Management Letter.

STATUS OF ANNUAL CONTINUING DISCLOSURE REPORT

Mr. Rubinsky noted that the District's Disclosure Counsel, McCall Parkhurst & Horton, L.L.P. ("McCall Parkhurst"), will prepare the District's annual Continuing Disclosure Report and file same with the appropriate repositories once the audit report for District's fiscal year ended December 31, 2022, has been finalized.

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 April 24, 2023, a copy of which is attached hereto as **Exhibit H**. Ms. Falke 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 Production 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. Falke requested that the Board consider authorizing the repainting of the District's 137 fire hydrants at an estimated cost of \$6,370.50. Following discussion, Director Breihan moved that the Board approve the Operator's Report and authorize the repainting of 137 fire hydrants in the District at an estimated cost of \$6,370.50. Director Williams seconded the motion, which carried unanimously.

AUTHORIZE PREPARATION OF DRAFT CONSUMER CONFIDENCE REPORT

The Board considered authorizing Inframark to prepare a draft Consumer Confidence Report ("CCR") for review by the Board pursuant to CCR requirements promulgated by the United States Environmental Protection Agency and the TCEQ to be provided to all customers of the District by July 1, 2023. After discussion on the matter, it was moved by Director Welch, seconded by Director Witt, and unanimously carried, that Inframark be authorized to prepare a draft CCR and SPH be authorized to review same for compliance with all applicable regulatory requirements and the TCEQ's 2022 CCR template.

SLUDGE MANAGEMENT AGREEMENT

Mr. Rubinsky advised that the Sludge Management Agreement ("SMA") by and among the District, Inframark, and Sprint Waste of Texas, LP doing business as GFL ("Sprint") has been circulated for signature by Sprint and Inframark, and that the SMA will be presented to the Board for approval once executed by Sprint and Inframark and once the requisite TEC Forms 1295 have been received in connection therewith. The Board deferred action on this matter at this time.

STATUS OF DISTRICT'S WATER PRODUCTION FACILITIES AND DISCUSSION CONCERNING DISTRICT RESPONSE TO TCEQ NOTICE OF VIOLATION

Mr. Laseter advised that in response to the Notice of Violation for the Modified Comprehensive Compliance Investigation of Public Water Supply ("NOV") received from the Texas Commission on Environmental Quality ("TCEQ") by letter dated November 18, 2022, VSE had submitted a written response dated December 2, 2022. He then advised that no response has been received from the TCEQ to date.

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 that he approved two invoices from Seaback for mowing and the Spring overseeding and fertilizing of the District's various facilities in the month of March 2023, copies of which are attached hereto as **Exhibit I**. Following discussion, Director Welch moved that the

Board approve Seaback's invoices for the Spring overseeding and fertilizing at a cost of \$57,454.45, and the regular mowing of the District's various facilities in the month of March 2023 at a cost of \$4,374.75. Director Williams seconded said motion, which unanimously carried.

ENGINEER'S REPORT

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated April 24, 2023, a copy of which is attached hereto as **Exhibit J**, and discussed the status of the various projects within the District.

Mr. Laseter reported that he had nothing new to report in connection with (i) the three-year plan to supplement water well production/capacity at Water Well No. 1; (ii) the Water Meter Easements required from Kilcommins Group Development Companies, LLC; (iii) renewal of the District's Storm Water Quality Permits; (iv) street and storm sewer acceptances by Harris County; or (v) the Water Meter Easement from Bella Katy Partners, LP.

Regarding the status of design of Wastewater Treatment Plant ("WWTP") Effluent Re-Use Facilities, including geotechnical investigation for on-site effluent storage pond design, Mr. Laseter reported that the construction plans for this project are 90% complete, and are pending completion upon finalizing the daily irrigation demand capacity needed for the effluent re-use facilities.

With respect to the acquisition of the Water Plant No. 2 Site and related easements, Mr. Laseter advised that the final plat has been resubmitted for approval by the City of Houston and Harris County, that the design and plans are under review by the TCEQ pending acquisition of the site, and that the construction plans for Water Plant No. 2 have been approved by the Harris County Engineering Department and Harris County Flood Control District, pending site and easement acquisitions. Mr. Rubinsky advised the Board that five of the easements required from the Bing family are now in final form and that the remaining five are still being negotiated as SPH received further comments to said documents from the Bing Family's legal counsel. Following discussion, it was moved by Director Breihan, seconded by Director Witt, and unanimously carried, that the District (i) accept the Special Warranty Deed and all related easements required from the Bing Family, and approve the Utility Commitment and Utility Development Agreement, subject to their execution in a form acceptable to the District, and (ii) authorize the Board President to execute all of said documents if received prior to the next Board meeting. The Board concurred that Director Witt would remain as the liaison for the District as to final approval of any changes to said documents, should they need to be revised further or executed prior to the next Board meeting.

In connection with the 0.320 MGD Expansion of the Permanent WWTP, Mr. Laseter advised that the contractor is still working on the correction of deficiencies noted during the inspection held March 12, 2023, and then recommended that Pay Application No. 17 from C-4 Partners in the amount of \$1,596.00, a copy of which is included in the Engineer's Report, be approved for payment.

Mr. Laseter next reported that the Channel Restoration and Erosion Prevention Project by Storm Water Solutions, LLC is substantially complete, and that pending items include turf establishment and final inspection.

In connection with the Sanitary Sewer Easement required from Katy Community Fellowship Church, Mr. Laseter advised that VSE and SPH are waiting for a response from Mr. Criollo's engineer concerning confirmation that the City of Houston will allow for the reduction of the width of the easement from 25' to 15' before SPH can submit a response to the Church's comments.

Mr. Rubinsky next advised that SPH is still in the process of reviewing the request received from DE Corp. on behalf of the West Harris County Regional Water Authority for a Water Line and Water Meter Easement.

Upon motion made by Director Welch, seconded by Director Breihan, and unanimously carried, the Board voted that (i) the Engineer's Report be approved; and (ii) Pay Application No. 17 from C-4 Partners in the amount of \$1,596.00 be approved for payment, as recommended by VSE.

DEVELOPERS' REPORTS

Mr. Baker updated the Board on the status of development of Katy Ranch Crossing by Katy ABC. He advised that his second office building and the retail development sections are almost fully leased out, and noted that the remaining proposed development is moving along well; currently pending receipt of certain permits. Mr. Laseter noted that construction continues on the Premier @ Katy Apartments, Phase II project. In connection with the development of the Phase II Bella Professional Park project, there were no new updates reported.

UTILITY COMMITMENTS

Mr. Rubinsky advised the Board that, as noted above during the Engineer's Report, the proposed utility commitment to and Utility Development Agreement with Paul Bing, Nominee, is still in the process of negotiation.

In connection with the request of Scotts Square, LLC for water and sewer service to serve Katy Surgical Center on a 2.5 acre tract located at 130 Bella Katy Drive in I-10 Bella Terra Unrestricted Reserve "A", Mr. Rubinsky presented to and reviewed with the Board a proposed Utility Commitment to Scotts Square, LLC, a copy of which is attached hereto as **Exhibit K**, for the Board's consideration. He advised that SPH will circulate same to the developer for review and execution following the Board's approval. After discussion on the matter, it was moved by Director Breihan, seconded by Director Welch, and unanimously carried, that the Board approve the Utility Commitment to Scotts Square, LLC, subject to the receipt of an executed copy of same and a TEC Form 1295 from Scotts Square, LLC, and authorize acceptance of a TEC Form 1295 in connection with same.

Mr. Laseter advised that VSE has now received formal requests for water and sewer capacity from ALJ Lindsey on behalf of Mr. Baker in connection with the proposed retail

development located at 722 Katy Fort Bend Road and the proposed Katy Ranch Lofts to be located at 24922 Katy Ranch Road, copies of which are attached hereto as **Exhibits L and M**, respectively. Mr. Baker advised that he will send SPH and VSE the site plans for these projects soon. Following discussion, Director Witt moved that the Board authorize SPH to prepare the proposed utility commitments for Mr. Baker's projects at located at 722 Katy Fort Bend Road and 24922 Katy Ranch Road, subject to VSE's receipt of site plans for said projects, and requested TEC Form 1295s in connection with same. Director Breihan seconded said motion, which unanimously carried.

In connection with the proposed construction of a 320-unit multi-family development on 6.87 acres proposed to be acquired from Jae Moore, Mr. Rubinsky presented correspondence from BGE regarding Pelican Builders, Inc.'s request for approximately 153 equivalent single family connections of water and wastewater treatment capacity, a copy of which is attached hereto as **Exhibit N**. Mr. Rubinsky then presented Mr. Moore's request for approximately 60 connections for the development of the remainder of his acreage within the District, a copy of which is attached hereto as **Exhibit O**. Following discussion, upon motion made by Director Witt, seconded by Director Breihan, and unanimously carried, the Board moved to authorize SPH to prepare the proposed utility commitments for Pelican Builders, Inc. and Jae Moore in connection with the development of Mr. Moore's remaining acreage in the District.

STATUS OF PROPOSED ANNEXATION OF CRIOLLO TRACT

In connection with the proposed annexation of Mr. Criollo's 0.74 acre tract on Kingsland Blvd, Mr. Rubinsky noted that this matter and the status of the Sanitary Sewer Easement required from Katy Community Fellowship Church had been discussed under the Engineer's Report.

MASTER PARKS PLAN PREPARED BY TALLEY LANDSCAPE ARCHITECTS, INC. ("TLA")

Mr. Rubinsky next presented a report provided by Merrie Talley of TLA concerning the status of TLA's work on Phase 1A of the District's Master Park Plan, a copy of which is attached hereto as **Exhibit P**. Following discussion, the Board noted that no action was required on its part at this time relative to the TLA Report.

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

The Board deferred action on this matter at this time.

HARRIS COUNTY SHERIFF'S OFFICE ("HCSO") SECURITY REPORT AND STATUS OF FLOCK SAFETY CAMERA SYSTEM

Mr. Rubinsky presented for the Board's review HCSO Contract Report for the month of March 2023, a copy of which is attached hereto as **Exhibit Q**. The Board noted that no action was required on its part at this time relative to the HCSO Report.

Mr. Rubinsky advised that no updates have been received this month concerning the status of installation of security cameras throughout the District by Flock Safety.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky advised the Board that the District received another request from Hammad R. Javeri concerning a lack of street lights on Katy Fort Bend Road between I-10 and Kingsland. The Directors and Mr. Baker noted businesses in that area that provide lighting, and advised that additional lighting will be installed when the Katy development just west of the District has been completed.

DISTRICT WEBSITE

Mr. Rubinsky next reported the subscriber counts received from Off Cinco and presented to the Board a Monthly Analytics Report provided by Off Cinco for the month of March 2023, copies of which are attached hereto as **Exhibit R**. No action was required of the Board in connection with this matter at this time.

REVIEW OF DISTRICT CONSULTANTS' CONTRACTS

Director Welch recommended that the Board table discussion regarding review of the District's consultants' contracts 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 Witt, seconded by Director Breihan, and unanimously carried, the meeting was adjourned.




Secretary

LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Delinquent Tax Report
- Exhibit C Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
- Exhibit D SPA STAR Report for the First Quarter – 2023 and Sales Tax Net Payment Trend Report and a Sales Tax Reconciliation Summary for 2022 Quarter 4
- Exhibit E Bookkeeper's Report
- Exhibit F Arbitrage Analysis Report from MRMG
- Exhibit G Draft Audit Report for Fiscal Year Ended December 31, 2022
- Exhibit H Operator's Report
- Exhibit I Seaback Invoices for March 2023
- Exhibit J Engineer's Report
- Exhibit K Utility Commitment (Scotts Square, LLC)
- Exhibit L Utility Commitment Request (I-10 KRC GP, LLC)
- Exhibit M Utility Commitment Request (Lofts at Katy Ranch, LP)
- Exhibit N Utility Commitment Request (Pelican Builders, Inc.)
- Exhibit O Utility Commitment Request (J.K. Moore Real Estate Limited Partnership)
- Exhibit P Status Report from TLA regarding Phase 1A Design Package – Park and Trail Development
- Exhibit Q HCSO Security Patrol Report
- Exhibit R Off Cinco's Monthly Reports