

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting May 22, 2023

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on May 22, 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 Directors Anzalotti and Williams, thus constituting a quorum.

Also present were Mike Baker of Katy ABC Properties ("Katy ABC"); Drake Dominy of Pelican Builders, Inc. ("Pelican"); Tom Laseter and William Regner of Vogler & Spencer Engineering, Inc. ("VSE"); Cathy Falke and Raquel Garcia of Inframark, LLC ("Inframark"); Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Cathy Wheeler of Wheeler & Associates, Inc. ("Wheeler"); David Beyer of Storm Water Solutions, LLC ("SWS"); 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 April 24, 2023. The Board deferred action on the minutes of its Board of Directors meeting held on April 24, 2023.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Wheeler presented to and reviewed with the Board the Tax Assessor-Collector's Report dated as of April 30, 2023, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Wheeler then addressed the Board concerning the detection of fraudulent activity on the District's Tax Account. She advised

the Board that Stellar Bank has issued a refund to the District for the fraudulent withdrawal of funds from the District's account, and that Wheeler is continuing to gather information as to how the unauthorized withdrawal was made. Thereafter, 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 Breihan seconded said motion, which carried unanimously.

Mr. Dominy entered the meeting at this time.

Ms. Wheeler next requested that an item be added to the agenda for next month's meeting regarding the approval of an amendment to the Agreement for Services of Tax Assessor and Collector by and between the District and Wheeler.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Rubinsky advised the Board that there was not a Delinquent Tax Report to present this month from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's Delinquent Tax Collections Attorneys, and that the next quarterly Report is expected for the July 2023 meeting.

SALES TAX COLLECTIONS MONITORING SERVICE

The Board next reviewed a Supplemental Sales Tax Reconciliation Report prepared by HdL Companies ("HdL"), a copy of which is attached hereto as **Exhibit B**, 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, as authorized by the Board last month. Following discussion, Director Breihan moved that the Supplemental Sales Tax Reconciliation Report be approved and that the payment due to Katy ABC in the amount of \$7,369.59 (\$8,269.59 less \$900.00 for HdL's auditing fee) be authorized by the Board. Director Witt seconded said motion, which carried unanimously.

BOOKKEEPER'S REPORT

Ms. Crigger presented to and reviewed with the Board the Bookkeeper's Report dated May 22, 2023, a copy of which is attached as **Exhibit C**, including the disbursements presented for payment from the District's General Operating Account and the Construction Account, and the Quarterly Investment Inventory Report for the period ending March 31, 2023. Mr. Rubinsky made several inquiries regarding items in the Bookkeeper's Report, and Ms. Crigger responded to same. After discussion, it was moved by Director Witt that the Bookkeeper's Report be approved, that the disbursements identified in the report be approved for payment (with the exception of check nos. 8754 and 8755 on the General Operating Account payable to Dolce at Bella Terra which are to be held pending Ms. Crigger's investigation as to whether the checks are related to accounts of a multifamily project in the District recently acquired by Lakeside Place Public Facility Corporation), and that the Quarterly Investment Inventory Report be approved and the Investment Officer be authorized to execute same on behalf of the Board and the District. Director Breihan seconded said motion, which unanimously carried.

APPROVAL OF UNCLAIMED PROPERTY REPORT

The Board next considered approval of an Unclaimed Property Report as of March 1, 2023, and the filing of same with the State Comptroller prior to July 1, 2023. After discussion, Director Witt moved that MA&C be authorized to file an Unclaimed Property Report with the State Comptroller prior to July 1, 2023, with respect to unclaimed property in the total amount of \$1,199.11 to be escheated to the State, as reflected on the Report attached hereto as **Exhibit D**. Director Breihan seconded said motion, which unanimously carried. Ms. Wheeler advised the Board that she would report next month as to whether Wheeler has any unclaimed property to be escheated to the State Comptroller on behalf of the District for the applicable reporting period.

APPROVAL OF ANNUAL CONTINUING DISCLOSURE REPORT

Mr. Rubinsky next presented to and reviewed with the Board the District's Annual Financial Report (Continuing Disclosure) Pursuant to SEC Rule 15c2-12 prepared by the District's Disclosure Counsel, McCall Parkhurst & Horton, L.L.P. ("McCall Parkhurst"), a copy of which is attached hereto as **Exhibit E**. After discussion on the matter, it was moved by Director Welch, seconded by Director Breihan and unanimously carried, that the Annual Financial Report be approved, subject to revisions to the list of Principal Taxpayers reflected on page 3 of the Report, if necessary, and that McCall Parkhurst be authorized to file same with the appropriate repositories prior to the June 30, 2023 deadline.

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 May 22, 2023, a copy of which is attached hereto as **Exhibit F**. 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 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. Garcia advised the Board that the repainting of the District's fire hydrants will start June 10, 2023, weather permitting. Mr. Rubinsky then noted a possible issue regarding the April 2023 usage information related to customer account nos. 44019 and 44020 reflected in the Consumption Report included in the Operator's Report. Ms. Garcia advised she would investigate the situation and report back to the Board. Ms. Garcia then stated that she had no action items for the Board's consideration this month.

APPROVAL OF 2022 CONSUMER CONFIDENCE REPORT

Ms. Garcia next presented for the Board's review and approval a draft of the District's Consumer Confidence Report ("CCR") for 2022, a copy of which is attached to the Operator's Report. After discussion on the matter, it was moved by Director Breihan, seconded by Director Witt and unanimously carried, that the CCR be approved and that EDP be authorized to (i)

provide the residential customers of the District with a weblink address for review of the CCR, and (ii) deliver hard copies of the CCR to the apartments and commercial customers of the District prior to the July 1, 2023 deadline.

APPROVAL OF SLUDGE MANAGEMENT AGREEMENT

Mr. Rubinsky presented for the Board's approval a Sludge Management Agreement ("SMA") by and among the District, Inframark, and Sprint Waste of Texas, LP doing business as GFL ("Sprint"), a copy of which is attached hereto as **Exhibit G**. After discussion, Director Breihan moved that the SMA be approved, that the President be authorized to execute same on behalf of the Board and the District, and that the Texas Ethics Commission ("TEC") Forms 1295 submitted by Inframark and Sprint in connection therewith be accepted by the Board and the District.

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 cleaning of the pilot channels for all of the District's detention ponds in the month of April 2023, copies of which are attached hereto as **Exhibit H**. Following discussion, Director Witt moved that the Board approve Seaback's invoices for the cleaning of the pilot channels for all of the District's detention ponds, and the regular mowing of the District's various facilities in the month of April 2023 at a total cost of \$16,786.95. Director Breihan 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 May 22, 2023, a copy of which is attached hereto as **Exhibit I**, 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 for the Water Plant No. 2 site and all related easements required from the Bing Family upon receipt of the executed documents in a form acceptable to the District and any required TEC Forms 1295, 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 expanded WWTP is now on line, but that the contractor is still working on the correction of deficiencies noted during the inspection held March 12, 2023.

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.

APPROVAL OF PROPOSAL FROM SWS FOR MODIFICATIONS TO OUTFALL PIPES

Mr. Beyer next presented for the Board's review a Storm Water Management Program Report from SWS, together with a proposal from SWS to saw cut fourteen (14) outfall pipes located in three (3) District detention ponds so that the pipes are flush with the side slopes of the

ponds at a total cost of \$11,900.00, copies of which are attached hereto as Exhibit J. After discussion on the matter, it was moved by Director Welch, seconded by Director Breihan and unanimously carried, that such proposal be approved, that the President be authorized to execute same, and that the TEC Form 1295 submitted by SWS in connection therewith be accepted by the Board and the District.

DEVELOPERS' REPORTS

Mr. Baker updated the Board on the status of development of Katy Ranch Crossing by Katy ABC. He noted that the project continues to do very well.

The Board next noted that construction continues on the Premier @ Katy Apartments, Phase II project. Mr. Rubinsky advised the Board that both the Premier at Katy Apartments, Phase II, and the Katy Ranch Apartments have been acquired by Lakeside Place Public Facility Corporation ("Lakeside Place PFC"), an entity affiliated with the Houston Housing Authority. He advised that pursuant to the acquisition of the properties by Lakeside Place PFC, the projects are now 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. After discussion on the matter, the Board authorized the District's Engineer to calculate tax-exempt tap fees for each of said projects in accordance with the terms of the District's Rate Order.

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

Ms. Falke and Mr. Beyer exited the meeting during the Developers' Reports.

UTILITY COMMITMENTS

The Board next considered the approval of a utility commitment to Paul Bing, Nominee. After discussion on the matter, it was moved by Director Welch, seconded by Director Breihan and unanimously carried, that said utility commitment be approved by the Board, subject to the receipt of the executed Special Warranty Deed for the Water Plant No. 2 site and all easements required from Dr. Bing, as well as an executed copy of the utility commitment and a TEC Form 1295 from Dr. Bing.

Mr. Rubinsky advised the Board draft utility commitments have been prepared to (i) I-10 KRC GP, LLC, (ii) Lofts at Katy Ranch, LP, (iii) Pelican Builders, Inc., and (iv) J.K. Moore Real Estate Limited Partnership, as previously authorized by the Board, and are pending review and/or the receipt of certain information from Mr. Laseter required to complete the commitments. Mr. Dominy noted that he anticipates closing on the purchase of the 6.87 acres from Jae Moore for the proposed construction of a 320-unit multi-family development before the end of the year.

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 K**. 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 April 2023, a copy of which is attached hereto as **Exhibit L**. Mr. Rubinsky advised the Board that Flock Safety Camera System is being installed this week. The Board noted that no action was required on its part at this time relative to the HCSO Report.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky presented for the Board's review correspondence received from the West Harris County Regional Water Authority dated April 21, 2023, a copy of which is attached hereto as **Exhibit M**, regarding the Authority's new encroachment policy effective April 12, 2023.

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 April 2023, copies of which are attached hereto as **Exhibit N**. 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

At 1:22 p.m., the Board President announced that the Board would meet in Closed Session to consult with the District's attorney pursuant to matters authorized by Texas Government Code, Section 551.071 (matters protected by attorney-client privilege). At this time, all those present, with the exception of the Board, Mr. Rubinsky and Ms. Collins exited the meeting.

At 2:02 p.m., the Board President announced that the Board would reconvene in Open Session and that no action was required to be taken at this time.


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 Breihan, seconded by Director Witt, and unanimously carried, the meeting was adjourned.



Asst. Secretary 

LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Supplemental Sales Tax Reconciliation Report prepared by HdL Companies
- Exhibit C Bookkeeper's Report
- Exhibit D MA&C Unclaimed Property Report
- Exhibit E Draft Annual Financial (Continuing Disclosure) Report
- Exhibit F Operator's Report
- Exhibit G Sludge Management Agreement
- Exhibit H Seaback Invoices for April 2023
- Exhibit I Engineer's Report
- Exhibit J Storm Water Management Plan Report and Proposal from SWS
- Exhibit K Status Report from TLA regarding Phase 1A Design Package – Park and Trail Development
- Exhibit L HCSO Security Patrol Report
- Exhibit M Correspondence from the West Harris County Regional Water Authority
- Exhibit N Off Cinco's Monthly Reports