

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting July 24, 2023

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

Also present were Mike Baker of Katy ABC Properties ("Katy ABC"); Drake Dominy of Pelican Builders, Inc. ("Pelican"); Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Raquel Garcia of Inframark, LLC ("Inframark"); Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Richard Fletcher of HdL Companies ("HdL"); and Abraham Rubinsky, Kate Henderson, Alyssa Kannar, Hollie Rhodes, and Cobi Washington 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 meeting held on June 26, 2023. Following discussion, Director Welch moved that the Board approve the minutes of its Board of Directors meeting held on June 26, 2023, as presented. Director Breihan 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 June 30, 2023, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. After discussion, Director Welch moved that the Tax Assessor-Collector's Report be approved as presented, and that the

disbursements from the District's Tax Account identified in said Report be authorized. Director Williams 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 July 24, 2023, a copy of which is attached hereto as **Exhibit B**. After discussion, Director Welch moved that: (i) the 49 personal property delinquent accounts for the tax years 2011 through 2019 reflected on the Delinquent Tax Report be moved to the uncollectible roll, as recommended by Perdue Brandon; and (ii) Perdue Brandon be authorized to move forward with filing lawsuits to collect the delinquent taxes owed by Account Numbers 2339878 (J2G Hospitality LLC/Antidote Gastro Bar), 2194989 (Westchase Imaging), 130-456-001-0046 (Maria A. Tupper), 2284052 (786S52 LLC), and 2304356 (Freeroll's Poker Clubs Inc.). Director Breihan seconded said motion, which unanimously carried.

APPROVAL OF AMENDMENT TO AGREEMENT FOR SERVICES OF TAX ASSESSOR AND COLLECTOR BY AND BETWEEN THE DISTRICT AND WHEELER

The Board next deferred action relative to the approval of an amendment to the Agreement for Services of Tax Assessor and Collector by and between the District and Wheeler pending SPH's receipt and review of same.

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 Companies ("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, Mr. Fletcher presented to and reviewed with the Board a SPA STAR Report for the Second Quarter - 2023, a Sales Tax Net Payment Trend Report, and a Sales Tax Reconciliation Summary for 2023 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 advised that HdL recommends payment of \$96,294.35 to Katy ABC for 2023 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 Witt moved that the Sales Tax Reconciliation Summary for 2023 Quarter 1 and the development payment of \$96,294.35 to Katy ABC for 2023 Quarter 1 be approved, as recommended by HdL. Director Breihan seconded said motion, which carried unanimously.

ADOPTION OF RESOLUTION AUTHORIZING INCREASE IN FEES OF OFFICE

The Board next considered adoption of a Resolution Authorizing an Increase in the Fees of Office. Mr. Rubinsky advised the Board that House Bill 2815, passed by the 88th Texas Legislature, amends Section 49.060 of the Texas Water Code to allow for an increase in director fees of office from the previous amount of \$150 per day of service to an amount up to the

maximum per diem set by the Texas Ethics Commission for members of the Legislature, which is currently \$221 per day of service. Following discussion, Director Breihan moved that the Resolution Authorizing Increase in Fees of Office attached hereto as **Exhibit D** be approved, and that the President and Secretary be authorized to execute same on behalf of the Board and District. Director Williams seconded the motion, which unanimously carried.

ADOPTION OF ORDER ADOPTING A CODE OF ETHICS, FEES AND EXPENSE POLICY, POLICY RELATING TO CONSULTING SERVICES, UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS, POLICY RELATING TO ADOPTION OF ANNUAL OPERATING BUDGET, AND CREATING AN AUDIT COMMITTEE

The Board next considered the adoption of an Order Adopting a Code of Ethics, Fees and Expense Policy, Policy Relating to Consulting Services, Uniform Financial Accounting and Reporting Standards, Policy Relating to Adoption of Annual Operating Budget, and Creating an Audit Committee ("Code of Ethics Order"). In that regard, Mr. Rubinsky advised the Board that the language of the Code of Ethics and Fees and Expense Policy has been updated to provide that, among other things, with Board approval, Directors may claim fees of office for virtual attendance or watching recorded sessions of conferences, but limited in number to the actual number of days of the conference during which live presentations were made. After discussion on the matter, Director Anzalotti moved that: (i) the Code of Ethics Order attached hereto as **Exhibit E** be adopted; (ii) the President be authorized to execute the Code of Ethics Order and the Secretary to attest same on behalf of the Board and the District; and (iii) the District's previous Code of Ethics Order heretofore adopted be revoked. Director Witt seconded said motion which carried unanimously.

Mr. Fletcher exited the meeting at this time.

BOOKKEEPER'S REPORT

Ms. Crigger next presented to and reviewed with the Board the Bookkeeper's Report dated July 24, 2023, a copy of which is attached as **Exhibit F**, including the disbursements presented for payment from the District's General Operating Account and Construction Account. After discussion, it was moved by Director Welch that the Bookkeeper's Report be approved and that the disbursements identified in the report be approved for payment. Director Williams seconded said motion, which unanimously carried.

AMENDMENT TO THE DISTRICT'S SECOND AMENDED AND RESTATED DISTRICT INFORMATION FORM

Mr. Rubinsky presented to and reviewed with the Board an Amendment to the District's Second Amended and Restated District Information Form (the "Amendment"), and advised that such Amendment updates the form of Notice to Purchasers provided to purchasers of real property within the District in accordance with recent legislative amendments to Section 49.452, Texas Water Code. Following discussion, Director Anzalotti moved that the Amendment be approved and that all Board members in attendance at the meeting be authorized to execute same

on behalf of the Board and the District. Director Breihan seconded said motion, which unanimously carried.

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 July 24, 2023, a copy of which is attached hereto as **Exhibit G**. 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 then reported that EDP recommends writing off and sending seven (7) delinquent accounts to collections. Following discussion, Director Breihan moved that the seven (7) accounts be written off and sent to collections, as recommended by EDP. Director Witt seconded the motion, which carried unanimously.

Ms. Garcia next presented for the Board's consideration correspondence received from a resident on Harbor Lakes Lane, a copy of which is included in the Operator's Report, who requested that the disconnection fee assessed to her account be refunded by the District. After discussion on the matter, it was moved by Director Anzalotti, seconded by Director Welch and unanimously carried, that such request be denied by the Board.

Ms. Garcia additionally presented for the Board's review two (2) Water Quality Noncompliance Notifications for incidences at the District's Wastewater Treatment Plant on May 1 and May 24, 2023, that were submitted by EDP to the Texas Commission on Environmental Quality ("TCEQ") on behalf of the District, copies of which are included in the Operator's Report.

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 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 reviewed an invoice from Seaback for maintenance in the month of May 2023 and found an error relating to the calculation of a fuel surcharge. Mr. Laseter reported that Seaback credited the District for the incorrect fuel calculation on the June invoice.

Mr. Rubinsky next addressed the Board concerning Seaback's recent notification of a proposed increase in rates to be effective August 1, 2023. Mr. Rubinsky stated that he would discuss the proposed rate increase with Seaback and report further to the Board regarding same next month.

Mr. Laseter additionally reported that Seaback has provided a proposal for \$1,350.00 for an additional herbicide spray application of the District's Drainage Outfall Channel. After discussion on the matter, it was moved by Director Breihan, seconded by Director Williams and unanimously carried, that Seaback be authorized to perform the herbicide spray application in the amount of \$1,350.00.

ENGINEER'S REPORT

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

Mr. Laseter addressed the Board concerning the District's three-year plan to supplement water well production/capacity at Water Well No. 1. In that regard, he advised the Board that a water well performance test was conducted on Water Well No. 1 on July 6, 2023, which indicated that the well pumping capacity has declined from the previous test from 769 to 715 gallons per minute ("gpm"). Mr. Laseter reported that, in light of same, the design capacity of proposed Water Well No. 2 has been increased to 1,500 gpm.

Mr. Laseter next advised the Board that the plans and specifications for the construction of Water Plant No. 2 were re-submitted to the City of Houston and the TCEQ for approval and that VSE will advertise for bids for the project soon, with bids to be presented at the August Board meeting.

In connection with the 0.320 MGD Expansion of the Permanent Wastewater Treatment Plant, Mr. Laseter advised that the contractor is cleaning up a few cosmetic items related to final site restoration. Mr. Laseter then recommended that Pay Application No. 18 and Final from C-4 Partners in the amount of \$289,845.90, a copy of which is included in the Engineer's Report, be approved for payment. After discussion on the matter, it was moved by Director Welch, seconded by Director Anzalotti and unanimously carried, that Pay Application No. 18 and Final be approved for payment by the Board, as recommended by Mr. Laseter. Mr. Rubinsky requested that Mr. Laseter confirm that Pay Application No. 18 and Final does not include price increases for equipment that C-4 Partners previously requested.

Mr. Rubinsky next reported that SPH has drafted (i) the Sanitary Sewer Easement required from Katy Community Fellowship Church, (ii) the Water Meter Easement required from Bella Katy Partners, LP, and (iii) the Water Meter Easement required from I-10 KRC, Ltd. and is in communications with the property owners regarding the conveyance of same to the District. After discussion, Director Welch moved that said Water Meter Easements and Sanitary Sewer Easement be accepted by the District, subject to execution by the respective property owners and the receipt of Texas Ethics Commission ("TEC") Form 1295s in connection therewith. Director Williams seconded said motion, which unanimously carried.

Mr. Laseter and Mr. Rubinsky next addressed the Board concerning the request received from DE Corp. on behalf of the West Harris County Regional Water Authority ("West Authority") for a Water Line and Water Meter Easement from the District in connection with the West Authority's proposed water line project, and (ii) the request from the West Authority to construct a drainage outfall pipe from the proposed West Authority metering station to the District's Drainage Outfall Channel, as further detailed in the Engineer's Report. Mr. Laseter and Mr. Rubinsky recommended that the West Authority provide the District with a detailed metes and bounds description of the proposed Water Line and Water Meter Easement tract. Mr. Laseter further advised that, with respect to the proposed connection of the West Authority's drainage outfall pipe to the District's Drainage Outfall Channel, he has requested that the West Authority prepare a legal description for a storm sewer easement to be dedicated to the West Authority within the Drainage Outfall Channel fee strip, which he proposed would include language requiring the Authority to permanently maintain the proposed drainage outfall pipe. No action was taken by the Board at this time.

STATUS OF MODIFICATIONS/REPAIRS TO OUTFALL PIPES

Mr. Laseter next reported that Storm Water Solutions, LLC has completed the modifications/repairs to 19 outfall pipes located in the District's three (3) detention ponds and invoiced the District \$16,150 for the project, which was approved by the Board earlier in the meeting under the Bookkeeper's Report.

DEVELOPERS' REPORTS

Mr. Baker updated the Board on the status of development of Katy Ranch Crossing by Katy ABC.

The Board next noted that construction continues on the Premier @ Katy Apartments, Phase II project by RBTK Realty, LLC, now Premier at Katy, LLC. Mr. Rubinsky stated that the tax-exempt status of both the Premier at Katy Apartments, Phase II, and the Olympus Katy Ranch Apartments will be discussed later in the meeting in closed session.

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

Ms. Luevano exited the meeting during the Developers' Reports.

UTILITY COMMITMENTS

Mr. Rubinsky advised the Board that draft utility commitments have been prepared to (i) I-10 KRC GP, LLC, (ii) Lofts at Katy Ranch, LP, (iii) Pelican Builders, Inc. ("Pelican"), and (iv) J.K. Moore, as previously authorized by the Board, and are pending review and/or the receipt of certain information required to complete the commitments. With respect to the utility commitment to Pelican, Mr. Dominy advised the Board that Pelican is scheduled to close on the purchase of the 6.87 acre tract of land by December 31, 2023, and that its due diligence period ends on August 15, 2023. After discussion on the matter, Director Welch moved that the utility commitment to Pelican be approved by the Board, subject to Pelican executing the proposed

form of the commitment as well as the receipt of a TEC Form 1295 from Pelican. Director Anzalotti seconded said motion, which unanimously carried.

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 for the Board's review a report received this month from 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 I**. No action was taken by the Board regarding same.

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

Director Breihan next advised the Board that installation of the Flock Safety Camera System is underway. He noted that it appears that all cameras have been installed but that not all of the cameras are operational at this time.

ATTORNEY'S REPORT

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

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 June 2023, copies of which are attached hereto as **Exhibit K**. 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 President announced at 1:03 p.m. that the Board would convene in Closed Session, as authorized pursuant to Texas Government Code, Section 551.071, to discuss matters protected by attorney-client privilege. Those in attendance, with the exception of the Directors, Mr. Rubinsky, Ms. Henderson, and Mr. Laseter, exited at this time.

At 2:47 p.m., the Board reconvened in Open Session.

Following discussion, it was moved by Director Anzalotti, seconded by Director Welch and unanimously carried, that: (i) SPH be authorized to contact Premier at Katy, LLC ("Premier") to inform them that the District will demand payment of a Non-Taxable Entity Tap Fee pursuant to the terms of the District's Rate Order unless the District and Premier come to an agreement on a method for the District to recover the annual ad valorem tax revenues lost as a result of said project becoming tax-exempt prior to August 31, 2023; and (ii) Directors Anzalotti and Williams be authorized to negotiate with Premier and take any action necessary on behalf of the Board and the District, including authorizing the termination of service to the Premier @ Katy Apartments, Phase II project, if necessary.

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 Anzalotti, and unanimously carried, the meeting was adjourned.

[seal]

Secretary

LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Delinquent Tax Report
- Exhibit C SPA STAR Report for the Second Quarter – 2023 and Sales Tax Net Payment Trend Report and a Sales Tax Reconciliation Summary for 2023 Quarter 1
- Exhibit D Resolution Authorizing Increase in Fees of Office and Expenses
- Exhibit E Code of Ethics Order
- Exhibit F Bookkeeper's Report
- Exhibit G Operator's Report
- Exhibit H Engineer's Report
- Exhibit I Report from Talley Landscape Architects, Inc.
- Exhibit J HCSO Security Patrol Report
- Exhibit K Off Cinco's Monthly Reports