

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting September 27, 2021

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on September 27, 2021, in accordance with the duly posted Notice of Public Meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

Ron Welch, President
Cyndal Porter, Vice President
W. Derrell Witt, Secretary
Frank Anzalotti, Assistant Secretary
Richard Breihan, Assistant Secretary

all of whom announced they were present, except Directors Witt and Breihan, thus constituting a quorum.

Also present were: Mike Baker of Katy ABC Properties ("Katy ABC"); Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Eric Thiry of Environmental Development Partners, LLC ("EDP"); Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Debbie Shelton of Masterson Advisors LLC ("Masterson"); Yvonne Luevano of Wheeler & Associates, Inc. ("Wheeler"); Jade Collins of Off Cinco ("Off Cinco"); Brad Seaback of Seaback Maintenance, Inc. ("Seaback") and Abraham Rubinsky, Katie Davis, 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 members of the public present, the Board continued to the next item of business.

APPROVAL OF MINUTES

The Board considered approval of the minutes of its Board of Directors meetings held on July 26, 2021, and August 23, 2021. Following discussion, Director Welch moved that the Board approve the minutes of its Board of Directors meetings held on July 26, 2021, and August 23, 2021, as presented. Director Anzalotti 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 August 31, 2021, 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 Porter seconded said motion, which carried unanimously.

DELINQUENT TAX COLLECTIONS REPORT

Mr. Rubinsky advised the Board that there was not a Delinquent Tax Report to present this month from the District's Delinquent Tax Collections Attorneys, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. Mr. Rubinsky advised that he expects the next report to be presented at the October Board meeting.

PUBLIC HEARING REGARDING ADOPTION OF THE DISTRICT'S 2021 TAX RATE

The Board next conducted a public hearing regarding the proposed levy of a debt service tax rate and a maintenance tax rate for 2021. Ms. Luevano presented an Affidavit of Publication from The Houston Chronicle confirming that the notice of the District's intention to set the proposed tax rate and notice of public hearing had been published in accordance with all legal requirements and as directed at the previous meeting. There being no comments presented from the public, such hearing was closed.

LEVY OF THE DISTRICT'S 2021 TAX RATE

The Board next discussed the setting of the District's 2021 tax rate. After discussion on the matter, Director Welch moved that: (i) the Board adopt and levy a 2021 debt service tax rate of \$0.51 per \$100 of taxable valuation and a 2021 maintenance tax rate of \$0.16 per \$100 of taxable valuation, resulting in a total 2021 tax rate of \$0.67 per \$100 of taxable valuation, and (ii) the Order Levying Taxes, attached hereto as **Exhibit B**, be adopted in connection therewith and the Board President be authorized to execute and the Secretary to attest same on behalf of the Board and the District. Director Anzalotti seconded said motion, which carried unanimously.

APPROVE AMENDMENT TO DISTRICT INFORMATION FORM

Mr. Rubinsky presented and discussed with the Board an Amendment to the Second Amended and Restated District Information Form ("DIF") relative to the District's 2021 tax rate. After discussion regarding the Amendment to the DIF, Director Anzalotti moved that the Amendment to the DIF be approved and that the Board members present be authorized to execute same on behalf of the Board and the District. Director Welch seconded said motion, which carried unanimously.

SELECTION OF BOARD MEMBERS OF THE HARRIS COUNTY APPRAISAL DISTRICT

Mr. Rubinsky next reported that the District received a Memorandum from the Harris County Appraisal District ("HCAD") regarding the selection of members for HCAD's Board of Directors, a copy of which is attached hereto as **Exhibit C**. He reported that the Board may

nominate a candidate for a position on the Board of Directors of HCAD to represent conservation and reclamation districts, like the District, by resolution adopted and submitted to HCAD no later than October 15, 2021. After discussion, the Board deferred taking any action on the matter at this time.

BOOKKEEPER'S REPORT

Ms. Crigger presented to and reviewed with the Board the Bookkeeper's Report dated September 27, 2021, a copy of which is attached as **Exhibit D**, including the disbursements presented for payment from the District's General Operating Account. Following discussion, Director Anzalotti moved that the Board approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, with the exception of check nos. 7265 and 7267, which were voided. Director Porter seconded said motion, which unanimously carried.

OPERATOR'S REPORT

The Board next considered the Operator's Report. In connection therewith, Mr. Thiry presented to and reviewed with the Board the Operator's Report dated September 27, 2021, a copy of which is attached hereto as **Exhibit E**. Mr. Thiry discussed various matters contained in the Report and presented and reviewed the Utility Billing Summary, Utility Billing Detail Report, Connection Count, Water Quality Monitoring Report, Water Production Report, Commercial Consumption Report, Monthly Operating Report, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein.

A discussion next ensued regarding a water outage that occurred in the District on the night of September 24, 2021, due to a major line break. Mr. Thiry reported that the Operator had trouble locating certain valves, which necessitated shutting down water service to a large portion of the District. Although an attempt was made to notify Shannon Waugh of Off Cinco of the water outage, Ms. Waugh did not receive such notification (late on a Friday evening) in order to timely notify the District's customers of the situation. It was determined that, in the event of a similar occurrence in the future, Off Cinco should be advised via their after hours contact number and email address. Mr. Thiry then reported that the repair was completed during the overnight hours and water was restored throughout the District by the following morning. He advised that EDP will be doing further work to locate and inspect certain valves in the area of repair.

Regarding the insurance claim filed in connection with the failure of the District's Water Well, Mr. Thiry advised that Ms. Falke will follow up with the insurance company to determine the status of said claim.

After discussion regarding the items set forth in the Operator's Report, Mr. Thiry stated that he had no specific action items for the Board's consideration this month.

APPROVAL OF ELECTONIC LOCKBOX PAYMENT SERVICES

Mr. Thiry next informed the Board that EDP is in the process of transferring its lock box account to Central Bank and discussed same in detail with the Board. Mr. Thiry then requested that the Board consider (i) authorizing EDP to move the District's lockbox account from BBVA/Compass Bank to Central Bank; (ii) approving all of the related documentation attached hereto as **Exhibit F**, including Certificate for and Resolution Approving Central Bank's Electronic Lockbox Payment Services for District Customers, Addendum to Operator Service Agreement, Processing Agreement with Central Bank; and (iii) authorizing the President to execute same on behalf of the Board and the District, subject to SPH's final review and approval. After discussion, Director Porter moved that the Board (i) authorize EDP to move the District's lockbox account from BBVA to Central Bank, (ii) approve the referenced Resolution, Processing Agreement, and Addendum to Operator Service Agreement, attached hereto as **Exhibit F**, and (iii) authorizing the President to execute same on behalf of the Board and the District, subject to SPH's final review and approval. Director Anzalotti seconded the motion, which carried unanimously.

IMPLEMENTATION OF H.B. 872

Mr. Rubinsky next presented and reviewed with the Board a Memorandum prepared by SPH regarding House Bill No. 872, which relates to the implementation of customer confidentiality requirements and the authorization of giving notice in connection with same. A copy of the Memorandum is attached hereto as **Exhibit G**. Mr. Rubinsky summarized the bill's requirements and options for the District's compliance with same. Following discussion, Director Anzalotti moved that: (i) EDP be authorized to include a notice of a customer's right to request disclosure of his or her personal and billing information, along with a form to accomplish same on all District water bills on a going forward basis, and (ii) SPH be authorized to create or approve a notice regarding same to be posted on the District's website, and (iii) Off Cinco be authorized to post such notice on the District's website. Director Porter seconded the motion, which carried unanimously.

REVIEW OF SOLID WASTE COLLECTION AND DISPOSAL SERVICES

The Board next addressed status of Texas Pride Disposal's ("TPD") services within the District, and recent negative media coverage involving a TPD employee. Following discussion, the Board concurred that no action was necessary on its part at this time since the media coverage did not relate to services being provided by TPD in the District, but that TPD's performance in the District needs to continue to be closely monitored by the Board.

Eric Thiry left the meeting at this time.

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 had reviewed and approved one invoice from Seaback in the amount of \$10,078.00 for mowing services and the semi-annual clean out of the pilot channel in the month

of August 2021. The Board recognized Mr. Seaback who addressed the Board regarding Seaback's request for an increase in the rate charged for mowing and maintaining the District's detention and drainage facilities. Mr. Seaback advised the Board that Seaback has not increased its rates for mowing the District's facilities for 10 years, despite significant increases in its cost of labor and materials. He advised that the increases range from under 5% to nearly 15% for different facilities. Following discussion, Director Anzalotti moved that the Board: (i) approve a rate increase not to exceed 15% of the current charges, to be effective October 1, 2021; (ii) authorize SPH to prepare an Amendment to Seaback's contract to reflect such rate increase; and (iii) authorize the Board officers to execute said Amendment once completed. Director Porter seconded the motion, which carried unanimously.

STATUS OF WATER WELL NO. 1 EMERGENCY REPAIRS AND INTERIM WATER SUPPLY FROM CIMARRON MUNICIPAL UTILITY DISTRICT ("CIMARRON")

In connection with the emergency repairs to Water Well No. 1 by C&C Water Services, LLC ("C&C"), Mr. Laseter reported that the project has been completed, but that C&C still needs to perform a well production test. He noted that the backlog of well production tests being requested may delay this testing. Pending the receipt of acceptable results of a well production test, Mr. Laster requested that the Board approve C&C's Pay Application No. 1 and Final in the amount of \$159,223.00. Following discussion, Director Welch moved that the Board approve and authorize payment to C&C of Pay Application No. 1 and Final in the amount of \$159,223.00, pending receipt of acceptable results of a well production test on the repaired water well. Director Porter seconded the motion, which carried unanimously.

ENGINEER'S REPORT

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated September 27, 2021, a copy of which is attached hereto as Exhibit H, and discussed the status of the various projects within the District.

Mr. Laseter reported that the design of and plan production for the WWTP Effluent Re-Use Facilities is underway, following receipt of the TCEQ effluent reuse permit. The geotechnical investigation will be requested for the storage pond design when the pond depth, configuration, and location are confirmed.

In connection with the design of Water Plant No. 2, Mr. Laseter reported that drainage design for the Water Plant No. 2 site is being coordinated with the Harris County Engineering Department and Harris County Flood Control District, with both requiring that the new drainage Atlas 14 design criteria be implemented into the site drainage/detention design. Mr. Laseter advised that the design report and plans/specifications are under review by the Texas Commission on Environmental Quality, pending approval upon District acquisition of the site and accompanying easements.

Mr. Laseter stated that VSE was coordinating with Harris County to include the Water Plant No. 2 site in a developed condition with detention and outfall drainage provided by an off-site temporary drainage swale that will extend across Dr. Bing's property to the District's main

drainage channel. Mr. Laseter noted that this would require a temporary drainage easement and temporary construction easement from Dr. Bing.

Mr. Laseter next reported that VSE is conducting all data compilation required for the WWTP Re-rating Study for submittal to the TCEQ. He noted that skewed data was originally received, and that further influent testing/sampling is being conducted to determine if the WWTP wasting process is directly connected to the skewed data.

In connection with the 0.320 MGD Expansion of the Permanent WWTP, Mr. Laseter noted that contractor submittals for equipment/materials to be incorporated into the construction project are currently under review by VSE. Mr. Laseter further noted that applications for renewal of Storm Water Quality Permits set to expire in October are being handled by Storm Water Solutions, LLC.

Mr. Laster next advised that 11 bids were received for the Ground Storage Tank No. 1 interior/exterior recoating and structural member repair/replacement at Water Plant No.1, and presented and reviewed the bid tabulation for same with the Board. Mr. Laseter noted that the lowest bidder was Arkos RF LLC with a total bid of \$142,659.00, but that Arkos RF LLC was unable to provide evidence of any history of experience with similar projects. Thus, Mr. Laseter recommended the award of the contract for such project to the second low bidder, CFG Industries, with a total bid of \$191,200.00, as CFG Industries holds more experience with similar projects in the local public water supply industry. Following discussion, Director Welch moved that the Board approve and award the contract for the Ground Storage Tank No. 1 interior/exterior recoating and structural member repair/replacement project to CFG Industries in the amount of \$191,200.00. Director Porter seconded the motion, which carried unanimously.

STATUS OF BOND APPLICATION REPORT FOR BOND ISSUE NO. 8

Mr. Rubinsky next reported to the Board regarding the status of the preparation of Bond Application Report No. 8 ("BAR") in connection with the District's proposed Series 2021 Unlimited Tax Bonds. Mr. Rubinsky reported that SPH is conducting a final review of the Application, and will be submitting it to the Texas Commission on Environmental Quality soon.

DEVELOPERS' REPORTS

Mr. Baker commented that materials and labor shortages continue to affect his various projects. He also stated that a bank has shown interest in occupying the space next to the new HCSO satellite office in Katy Ranch Offices.

Mr. Rubinsky next advised the Board that the automatic renewal of Irrevocable Letter of Credit No. 19013 (the "LOC") provided to the district by Vista Bank on behalf of J.K. Moore Real Estate Limited Partnership, Ltd. ("JKM") to secure JKM's pro rata share of the costs of the design and construction of the expansion of the WWTP and Water Plant No. 2 had not been received by the applicable deadline. Mr. Rubinsky advised that JKM and Vista Bank had been contacted regarding the situation, and indicated that a new LOC would be provided prior to its October 9, 2021, expiration date. Mr. Rubinsky stated that SPH would prepare the documents

necessary to draw on the \$1,017,431.80 LOC before its expiration, should the LOC not be renewed. After discussion, the Board concurred that SPH coordinate the draw on the LOC, if necessary, prior to its expiration date.

UTILITY COMMITMENTS

The Board next considered utility commitment requests. Mr. Rubinsky reported that Bella Katy Partners, LP has submitted a request for water and sewer service to serve the proposed Bella Professional Park to be developed on a 0.9831 acre tract in the I-10 Bella Terra Subdivision. Mr. Laseter advised that I-10 Katy, Ltd. has sufficient water and sewer capacity in its previous utility commitment from the District to serve the proposed development. Following discussion, Director Welch moved that the Board approve Bella Katy Partners, LP's request for utility commitment, and authorize SPH to proceed with the preparation of same. Director Anzalotti seconded the motion, which carried unanimously.

STATUS OF PROPOSED ANNEXATION OF CRIOLLO TRACT

Mr. Laseter advised Mr. Criollo has advanced \$10,000 to pay the outstanding amounts incurred on his behalf by the District and to proceed with the annexation of his 0.74 acre tract into the District. He advised that he had received a rough draft of the easement survey and site plan, but that certain documents and information, including legal description of the 0.74 acre tract and the metes and bounds for the necessary Sanitary Sewer Easement required by the District, were still needed to move forward with the annexation. Pending receipt of a legal description of the Criollo property, SPH will prepare the necessary documents for the proposed annexation of Mr. Criollo's property into the District.

MASTER PARKS PLAN PREPARED BY TALLEY LANDSCAPE ARCHITECTS, INC.

Mr. Rubinsky advised that TLA's contract is still under review by SPH, and that the boundary verification and topographic and utility surveying work being performed by Windrose Surveying and Land Services is continuing. No action by the Board was required at this time.

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

Mr. Rubinsky next presented for the Board's review the HCSO Contract Report for the month of August 2021, a copy of which is attached hereto as **Exhibit I**. Mr. Baker also reported that the HCSO satellite office is taking longer to get set up than expected, thus the Grand Opening previously scheduled for August 27, 2021, has been postponed.

ATTORNEY'S REPORT

The Board considered the attorney's report. In that regard, a discussion ensued regarding the Resolution Adopting Temporary Policies and Procedures in response to COVID-19 Pandemic adopted by the Board at its meeting held March 23, 2020. Mr. Rubinsky advised the Board that the policies and procedures set forth in said Resolution automatically terminated and

were rescinded at 12:01 a.m. on September 1, 2021, when the Governor's waiver of certain provisions of the Open Meetings Act expired.

The Board considered the approval and adoption of an Order Establishing Office and Meeting Places Outside the District (the "Order") at 1300 Post Oak Boulevard, Suites 2400 and 2500, Houston, Harris County, Texas 77056, which is attached hereto as **Exhibit J**. After consideration of the matter, it was moved by Director Welch, seconded by Director Porter, and unanimously carried that said Order be passed and adopted. The Board Secretary was then directed to execute, and the Attorney to publish, a Notice of Designation of Office and Meeting Places Outside the District, and to file a copy of the Order with the Texas Commission on Environmental Quality.

Mr. Rubinsky then presented to the Board a Notice of Public Meeting received from the Region H Water Planning Group regarding a Public Meeting scheduled for September 13, 2021, a copy of which is attached hereto as **Exhibit K**. No action of the Board was required on this matter.

DISTRICT WEBSITE

Mr. Rubinsky next reported the subscriber counts received from Off Cinco, and Ms. Collins presented the proposed Exhibit C to the Service Agreement with Off Cinco regarding compliance with the requirements of H.B. 1154, a copy of which is attached hereto as **Exhibit L**. Following discussion, Director Anzalotti moved that the Board approve the proposed Exhibit C to the Service Agreement with Off Cinco, and authorize the Board President to execute same. Director Welch seconded the motion, which carried unanimously.

Director Welch next advised the Board that he had no update to report regarding the application for the District to earn its first Transparency Star through the Comptroller's Transparency Stars Program.

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 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 Order Levying Taxes
- Exhibit C HCAD Memorandum and Resolution regarding Board of Directors Election Process and Nominating a Candidate for a Position on the Board of Directors of HCAD
- Exhibit D Bookkeeper's Report
- Exhibit E Operator's Report
- Exhibit F Central Bank Electronic Lockbox Payment Service Documents
- Exhibit G Board Memorandum regarding Implementation of H.B. 872
- Exhibit H Engineer's Report
- Exhibit I HCSO Report
- Exhibit J Order Establishing Office and Meeting Places Outside the District
- Exhibit K Region H Water Planning Group Notice of Public Meeting
- Exhibit L Exhibit C to Off Cinco Service Agreement Concerning H.B. 1154 Compliance