

## **HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3**

### **Minutes of Special Board of Directors Meeting December 26, 2023**

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in special session on December 26, 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 Williams and Witt, thus constituting a quorum. Director Witt entered later in the meeting, as noted herein.

Also present were Mike Baker of Katy ABC Properties ("Katy ABC"); Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Raquel Garcia of Environmental Development Partners, LLC, ("EDP"); Yaneth Cooper of Municipal Accounts & Consulting, L.P. ("MA&C"); Merrie Talley of Talley Landscape Architects Inc. ("TLA"); Bear Oakley of Acclaim Energy, Ltd. ("Acclaim"); and Abraham Rubinsky and Hollie Rhodes 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 October 23, 2023, November 17, 2023, and November 27, 2023. Following discussion, Director Anzalotti moved that the Board approve the minutes of its Board of Directors meeting held on October 23, 2023, as presented. Director Breihan seconded said motion, which unanimously carried. The Board concurred to defer approval of the minutes of its Board of Directors meetings held on November 17, 2023, and November 27, 2023 until its next meeting.

**ENERGY MANAGEMENT AGREEMENT BY AND BETWEEN THE DISTRICT AND ACCLAIM ENERGY, LTD.**

Mr. Oakley addressed the Board concerning a proposed Energy Management Agreement between the District and Acclaim, a copy of which is attached hereto as **Exhibit A**. In connection therewith, Mr. Oakley explained that the proposed Energy Management Agreement provides for certain fees to be charged by Acclaim for providing various electricity account management services. Following discussion, it was moved by Director Breihan, seconded by Director Anzalotti and unanimously carried, that the Board (i) approve the Energy Management Agreement between the District and Acclaim, (ii) authorize the President to execute same on behalf of the Board and the District, and (iii) authorize SPH to acknowledge the Texas Ethics Commission ("TEC") Form 1295 submitted by Acclaim in connection therewith.

Mr. Oakley exited the meeting at this time.

**TAX ASSESSOR-COLLECTOR'S REPORT**

Director Welch presented to and reviewed with the Board the Tax Assessor-Collector's Report prepared by Wheeler & Associates, Inc. dated as of November 30, 2023, a copy of which is attached hereto as **Exhibit B**, including the disbursements presented for payment from the Tax Account. After discussion, Director Breihan 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 Anzalotti 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 Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("PBFCM"), the District's Delinquent Tax Collections Attorneys. Mr. Rubinsky reminded the Board that PBFCM provides written reports on a quarterly basis, and that the next report should be provided for the January 2024 Board meeting.

**BOOKKEEPER'S REPORT**

Ms. Cooper presented to and reviewed with the Board the Bookkeeper's Report dated December 26, 2023, a copy of which is attached as **Exhibit C**, including the disbursements presented therein. 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 Anzalotti seconded said motion, which unanimously carried. Mr. Rubinsky requested that MA&C footnote the Unassigned Fund Balance reflected in the Balance Sheet within the Bookkeeper's Report to reflect that \$5,000,000 of said Balance has already been allocated and set aside for the Water Plant No. 2 construction contract.

## **OPERATING BUDGET FOR FISCAL YEAR ENDING DECEMBER 31, 2024**

Ms. Cooper next presented and reviewed with the Board and consultants a copy of the proposed operating budget for the District's fiscal year ending December 31, 2024, a copy of which is attached to the Bookkeeping Report. Ms. Cooper advised of various revisions that have been made to the draft operating budget since originally provided to the Board last month based on comments received from the District's consultants. After discussion, Director Anzalotti moved that the operating budget for the District's fiscal year ending December 31, 2024, be approved, as written. Director Breihan seconded the motion, which carried unanimously.

Director Witt entered the meeting at this time.

## **ENGAGEMENT OF AUDITOR**

The Board next considered engagement of an auditor to audit the District's financial statements and prepare the audit report for the fiscal year ending December 31, 2023. Mr. Rubinsky then presented to and reviewed with the Board an engagement letter from McGrath & Co., PLLC ("McGrath") relative to the preparation of the District's audit report for the fiscal year ending December 31, 2023, a copy of which is attached hereto as **Exhibit D**. Mr. Rubinsky reviewed McGrath's auditing standards and process, and noted that McGrath's estimated cost for performing said audit would be \$19,000. Upon a motion made by Director Welch, seconded by Director Anzalotti, and carried unanimously, the Board voted to engage McGrath to prepare the District's annual audit for the fiscal year ending December 31, 2024, and authorized the Board President to execute the engagement letter on behalf of the Board and District.

## **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 December 26, 2023, a copy of which is attached hereto as **Exhibit E**. Ms. Garcia discussed various matters contained in the Report, including completed and upcoming maintenance and repair items, and presented and reviewed the Utility Billing Summary, Utility Billing Detail Report, Connection Count, Water Quality Monitoring Report, Water Accountability Report, Commercial Consumption Report, Monthly Pumpage Report, Wastewater Plant Discharge Report, Customer Service Report, Delinquent Notice/Service Disconnect Report, and Delinquent Accounts Report, as set forth therein. Ms. Garcia next advised that flushing of the District's fire hydrants occurred last month as discussed at the last meeting, and that EDP received many complaints from customers regarding poor water quality that resulted during the flushing exercises. Director Breihan asked Ms. Garcia why EDP did not utilize Off Cinco to better communicate with the District's customers in advance of the flushing exercises. Ms. Garcia advised that she will make sure that the Off Cinco electronic messaging system is used going forward.

Ms. Garcia then inquired whether the Board would be amenable to deferring the termination of water service to unpaid delinquent accounts until January due to the holidays. After discussion, the Board concurred to defer the termination of service to delinquent accounts until January 2024.

**REVIEW OF NOTICE OF ANNUAL CPI RATE ADJUSTMENT BY TEXAS PRIDE;  
AMENDMENT OF THE DISTRICT'S RATE ORDER IN CONNECTION THEREWITH**

Mr. Rubinsky next reported that the District had received correspondence from Texas Pride Disposal Solutions, LLC ("Texas Pride") regarding notice of the annual Consumer Price Index ("CPI") increase for garbage collection services for the District of 6.5%, a copy of which is attached hereto as **Exhibit F**, as required by the Residential Solid Waste and Recycling Collection Agreement between Texas Pride and the District (the "Agreement"). Mr. Rubinsky advised the Board that the garbage collection fee is proposed to increase by \$1.26, from \$19.42 to \$20.68, per connection per month as a result of the CPI increase. Mr. Rubinsky noted Texas Pride did not provide 60 days advance written notice of such CPI increase as required by the terms of the Agreement. Following discussion, upon motion made by Director Anzalotti, seconded by Director Breihan, and unanimously carried, the Board approved Texas Pride's rate increase from \$19.42 to \$20.68, to be effective March 1, 2024.

The Board then discussed the proposed amendment of the District's Rate Order to reflect the fee increase in the District's monthly flat rate for Residential Sanitary Sewer Service and Solid Waste and Recycling Collection and Disposal Services. Following discussion, the Board concurred to defer the approval of an amended Rate Order, to be effective March 1, 2024, until its January 2024 meeting.

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

Mr. Laseter advised the Board that VSE received a response from the TCEQ regarding the Notice of Violation for the Modified Comprehensive Compliance Investigation of Public Water Supply, which stated that the District is not providing enough water well capacity for its connections. After discussion, Director Welch moved to authorize VSE to respond to the TCEQ no later than January 14, 2024, with the schedule for construction of the District's Water Plant No. 2 and the emergency water supply plan that is in place with Cimarron Municipal Utility District for the provision of water to the District. Director Breihan seconded said motion, which unanimously carried.

**MAINTENANCE OF THE DISTRICT'S DETENTION AND DRAINAGE FACILITIES**

The Board next considered the status of maintenance of the District's detention and drainage facilities by Seaback Maintenance, Inc. ("Seaback"). In connection therewith, Mr. Laseter advised the Board that he approved three (3) invoices from Seaback for maintenance in the months of October 2023 and November 2023 in the total amount of \$48,964.58, and advised of the services provided by Seaback in connection therewith. No action was required by the Board at this time.

**STORM WATER QUALITY REPORT**

Mr. Rubinsky advised the Board that there was not a Storm Water Quality Report to present this month from Storm Water Solutions ("SWS").

## **ENGINEER'S REPORT**

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated December 26, 2023, a copy of which is attached hereto as **Exhibit G**, and discussed the status of the various projects within the District. Mr. Laseter advised that construction plans for the Wastewater Treatment Plant Effluent Re-Use Facilities are 90% complete, but currently on hold while TLA re-evaluates the daily irrigation demand needs to be served by the effluent re-use facilities. He advised that he and Ms. Talley will be meeting on January 5, 2024, to discuss the matter further as an increase in the irrigation demands will require the size of the effluent re-use detention pond to increase and will likely cause other design changes and potentially increase the estimated cost of said facilities. Ms. Laseter further advised that W.W. Peyton has completed the clearing and grubbing operations required in connection with the construction of Water Plant No. 2 and the Off-Site 12-Inch Water Line and is commencing with the installation of new barbed wired fencing related to the cattle on the adjoining properties. No action was required by the Board in connection with the Engineer's Report at this time.

## **DEVELOPERS' REPORTS**

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

He further advised the Board that he is working with an architect regarding the design of the Lofts at Katy Ranch, which will be a senior living facility to be located within the Katy Ranch Crossing project.

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

## **UTILITY COMMITMENTS**

Mr. Rubinsky next addressed the Board regarding the utility commitment requested by Lofts at Katy Ranch, LP, for water and sanitary sewer services to a tract of land located at 24922 Katy Ranch Road. After discussion, Director Anzalotti moved that the utility commitment to Lofts at Katy Ranch, LP, be approved by the Board, subject to Lofts at Katy Ranch, LP, executing the proposed commitment in the form required by the District, as well as the receipt of a TEC Form 1295 from Lofts at Katy Ranch, LP. Director Breihan seconded said motion, which carried unanimously.

Mr. Rubinsky further advised that the utility commitment requested by J.K. Moore Real Estate Limited Partnership is pending until SPH is in receipt of certain information previously requested.

## **STATUS OF PROPOSED ANNEXATION OF CRIOLLO TRACT**

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

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

Regarding the District's Master Parks Plan prepared by TLA, Ms. Talley presented to and reviewed with the Board a proposed Amendment to the Landscape Architectural Services Agreement between the District and TLA, a copy of which is attached hereto as **Exhibit H**, in connection with Phase 1A of the District's Master Park Plan. She requested the Board's approval of such Amendment, with a total fee of \$107,720.00, and authorization to proceed with the preparation of the conceptual plan for the proposal Towns at Seville Trail set forth therein at a cost of \$18,920. Following discussion, Director Anzalotti moved that (i) said Amendment be approved, subject to receipt of TEC Form 1295 from TLA in connection with same and SPH's review and approval of said Amendment, and (ii) TLA be authorized to proceed with the preparation of the conceptual plan for the proposed Towns at Seville Trail set forth in the Amendment. Director Witt seconded said motion, which unanimously carried.

**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**

Mr. Rubinsky next advised the Board that SPH had not received a HCSO Security Report this month in time for the meeting. Director Welch next requested that SPH contact Flock Safety and request that they provide periodic reports related to the Flock cameras in the District for distribution to and review with the Board at future meetings.

**ATTORNEY'S REPORT**

The Board considered the attorney's report. In that regard, Mr. Rubinsky advised the Board that Standard & Poor's Ratings Services upgraded the District's long-term and underlying credit ratings for the District's outstanding unlimited tax bonds from "BBB+" to "A" and that, in connection therewith, the District is in receipt of confirmation of filing a material event notice from McCall, Parkhurst & Horton L.L.P. in connection with same.

**DISTRICT WEBSITE**

Mr. Rubinsky next advised the Board that he had not received an update from Off Cinco this month.

**REVIEW OF DISTRICT CONSULTANTS' CONTRACTS**

The Board deferred action on this matter at this time.

**CLOSED SESSION**

The Board concurred that a Closed Session would not be required in connection with the matters discussed at today's meeting.

**FUTURE AGENDA ITEMS**

The Board next considered matters for possible placement on future agendas. Except as may be reflected above, there were no additional agenda items requested other than routine, ongoing matters.

**ADJOURNMENT**

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

[seal]

\_\_\_\_\_  
Secretary

**LIST OF EXHIBITS**

- Exhibit A      Acclaim Energy Management Agreement
- Exhibit B      Tax Assessor/Collector's Report
- Exhibit C      Bookkeeper's Report
- Exhibit D      McGrath & Co., PLLC Audit Engagement Letter
- Exhibit E      Operator's Report
- Exhibit F      Texas Pride Disposal Annual CPI Adjustment Letter
- Exhibit G      Engineer's Report
- Exhibit H      Amendment #1 to Phase IA Landscape Architectural Services

DRAFT