

HARRIS-FORT BEND COUNTIES MUNICIPAL UTILITY DISTRICT NO. 3

Minutes of Board of Directors Meeting September 26, 2022

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on September 26, 2022, 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, Secretary
Frank Anzalotti, Assistant Secretary
Richard Breihan, Assistant Secretary

all of whom announced they were present, thus constituting a quorum.

Also present were: Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Cathy Falke and Dorothy Lavine 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 and Emma Highberger of Wheeler & Associates, Inc. ("Wheeler"); Deputy Blake Merrow of the Harris County Sheriff's Office ("HCSO"); and Abraham Rubinsky and Kit Collins of Schwartz, Page & Harding, L.L.P. ("SPH"). Sergeant Steve Stensland of the Harris County Sheriff's Office ("HCSO") entered the meeting after it was called to order, as noted herein.

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

Per Mr. Rubinsky's request, the Board deferred consideration approval of the minutes of its Board of Directors meetings held on June 27, 2022, July 25, 2022, and August 22, 2022.

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, 2022, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. Ms. Leuvano noted that check no. 5070 payable to Ehaj LTD in the amount of \$405,755.47 relates to the corrections by Harris

County Appraisal District for the 2019 through 2021 values of Mr. Baker's properties. Following inquiry from the Board as to invoices not included in the Report, Ms. Leuvano advised that she would circulate copies of the missing invoices to the Board. 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 Breihan 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.

PROPOSED 2022 TAX RATE

Ms. Shelton next presented to and reviewed in detail with the Board the Financial Advisor's recommendation regarding the proposed 2022 debt service tax rate and maintenance tax rate, a copy of which recommendation is attached hereto as **Exhibit B**. Ms. Shelton recommended that the Board levy a debt service tax rate of \$0.50 per \$100 of assessed valuation, which is one cent lower than the District's 2021 debt service tax rate. She then presented and discussed with the Board a table related to the proposed 2022 maintenance tax rate, including calculations reflecting the maintenance tax that would result in a parity rate as well as projected maintenance tax revenues, under different scenarios. Director Welch recommended that the Board decrease the District's maintenance tax rate from \$0.16 per \$100 of assessed valuation to \$0.12 per \$100 of assessed valuation, which would result in a total 2022 tax rate of \$0.62 per \$100 of assessed valuation. A lengthy discussion followed regarding the proposed total tax rate in connection with various issues, pending projects, District residents, and businesses in the District.

There next followed a discussion concerning the requirements for notice of the District's intention to adopt a 2022 tax rate. Mr. Rubinsky advised that, pursuant to Section 49.236 of the Texas Water Code, as amended, the District is required to provide a notice containing certain tax-related information in connection with each meeting at which the adoption of a tax rate will be considered. Mr. Rubinsky further advised that the information to be included in the notice is set forth in the Water Code and includes the proposed tax rate to be adopted. He advised that the District must provide the notice by either (i) publishing it at least once in a newspaper having general circulation in the District at least seven days before the date of the meeting at which the tax rate will be adopted, or (ii) mailing it to each owner of taxable property in the District, at the address shown on the most recently certified tax roll of the District, at least ten days before the date of the meeting.

After further discussion on the matter, Director Breihan moved that the Board (i) accept Masterson Advisors' recommendation to levy a 2022 debt service tax rate of \$0.50 per \$100 of assessed valuation and that it indicate its intention to levy a 2022 maintenance and operations tax rate of \$0.12 per \$100 of assessed valuation, for a total tax rate for 2022 of \$0.62 per \$100 of

valuation, and (ii) authorize the District's Tax Assessor-Collector to publish notice of the District's intention to adopt said 2022 tax rate at its next meeting in the form and at the time required by law. Director Anzalotti seconded said motion, which unanimously carried. The Board concurred that the notice should be published by the Tax Assessor-Collector in the *Houston Chronicle*.

Sergeant Stensland entered the meeting at this time.

STATUS OF ISSUANCE OF THE DISTRICT'S \$16,405,000 UNLIMITED TAX BONDS, SERIES 2022A (THE "BONDS")

Mr. Rubinsky advised that the closing of the Bonds occurred on August 23, 2022, as scheduled, and that the Letter of Credit originally issued in favor of the District by Vista Bank on the account of J.K. Moore Real Estate Limited Partnership, Ltd. has been released and was surrendered to Vista Bank.

Yvonne Luevano and Emma Highberger exited the meeting at this time.

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

Deputy Merrow next presented for the Board's review HCSO Contract Report for the month of August 2022, a copy of which is attached hereto as **Exhibit C**. Sergeant Stensland next discussed HCSO's upcoming National Night Out and its new SafeCam program. In connection therewith, he distributed a mailer advertisement for SafeCam registration, a copy of which is included in **Exhibit C**, and advised that HCSO is seeking voluntary registration by District residents of their personal outdoor cameras, in order to request footage from said devices when solving crimes. No action was taken by the Board in connection with this matter.

Deputy Merrow and Sergeant Stensland exited the meeting at this time.

BOOKKEEPER'S REPORT

Ms. Crigger presented to and reviewed with the Board the Bookkeeper's Report dated September 26, 2022, a copy of which is attached as **Exhibit D**, including the disbursements presented for payment from the District's General Operating Account. Per Mr. Rubinsky's request, Ms. Crigger advised that check no. 8448 payable to Cimarron Municipal Utility District would be voided, pending further review. Ms. Crigger advised that the operating budget will need to be amended at the November Board meeting to address Cimarron Municipal Utility District's increased fees, the 2022 tax rate, and the new MA&C fees, if accepted by the Board. Director Breihan then inquired as to possible direct investment into U.S. Treasuries, to which Ms. Crigger advised that, due to the timing and cost of U.S. Treasuries, pursuing such investments would likely not be profitable to the District. Upon motion made by Director Welch, seconded by Director Anzalotti, and unanimously carried, the Board voted to approve the Bookkeeper's Report, including the checks presented for payment from the District's various accounts, excluding check no. 8448, which was voided.

APPROVAL OF THIRD AMENDED AND RESTATED AGREEMENT FOR BOOKKEEPING SERVICES

Ms. Crigger presented to and reviewed with the Board a proposed Third Amended and Restated Agreement for Bookkeeping Services between the District and MA&C (the "Third Amended Agreement"), a copy of which is attached hereto as **Exhibit E**. Said Third Amended Agreement provides for, among other things, a revised rate structure for services performed, an updated form of monthly Bookkeeping Report, and direct deposit of the Director's fees of office in lieu of the issuance of physical checks. Ms. Crigger advised the Board that MA&C's revised rate structure to be implemented pursuant to the Third Amended Agreement will increase the District's monthly costs for bookkeeping services by approximately \$700-\$1,000. After a thorough discussion on the matter, Director Witt moved that (i) the Third Amended Agreement be approved, (ii) the President be authorized to execute the Agreement on behalf of the Board and the District, and (iii) SPH be authorized to acknowledge the Texas Ethics Form 1295 ("TEC 1295") submitted by MA&C in connection with same. Director Anzalotti seconded said motion, and with Directors Witt, Anzalotti, and Breihan voting "aye", and Director Welch abstaining due to a conflict of interest, the motion passed.

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 September 26, 2022, a copy of which is attached hereto as **Exhibit F**. Ms. Falke 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.

Ms. Falke then advised the Board of a customer request for reimbursement in the amount of \$415 in connection with fees paid by such customer to a plumber, due to a clog within the District's line, a copy of such request is included in **Exhibit F**. Following discussion, Director Anzalotti moved that the Board authorize the customer's requested reimbursement. Director Breihan seconded said motion, which unanimously carried.

In connection with increasing the District's ability to utilize water capacity it owns in the Cimarron Municipal Utility District water system, Ms. Falke reported that the District has been able to use 117 of its available connections on average in the past month. Mr. Rubinsky then asked that billing and metering for the following accounts be investigated due to reported non-usage or drastic changes in billing: 164050, 212909, 44306, 43960, 43978, 164049, 44010, 124208, 134937, 122613, 211002. Following discussion, the Board concurred with Mr. Rubinsky's request and requested EDP look into same. Ms. Falke then presented a water quality non-compliance notification received by the District from the Texas Commission on Environmental Quality ("TCEQ"), a copy of which is included with the Operator's Report, and advised that EDP has address the noncompliance noted therein.

STATUS OF DISTRICT'S WATER PRODUCTION FACILITIES AND IMPLEMENTATION OF DROUGHT CONTINGENCY PLAN

Discussion ensued regarding the status of District's water production facilities and potential implementation of Drought Contingency Plan. Ms. Falke directed the Board and consultants to the Water Production Monthly Operating Report within the Operator's Report, and reminded the Board that the West Harris County Regional Water Authority ("WHCRWA") remains in Stage 1 of its water conservation measures. She noted that the District is still within the operational parameters for Stage 1 of its water conservation measures, and that no action is required on this matter 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 approved an invoice from Seaback for the month of August 2022 in the amount of \$19,930.95, which includes the costs for the vegetation overgrowth channel cleanup at the Seville detention pond outfall storm water quality feature. Mr. Laseter further advised that proposals for the cost of routine herbicidal spraying will be presented for the Board's consideration at next month's meeting.

Mr. Laseter next discussed with the Board the proposals received in connection with the shoreline restoration and erosion prevention project. He advised that VSE solicited bids from three contractors for said project and received two proposals, with the lowest bidder being Storm Water Solutions, LLC ("SWS") at a cost of \$74,998.80. After discussion on the matter, it was moved by Director Breihan, seconded by Director Anzalotti, and unanimously carried, that the Board approve the proposal from the lowest bidder, SWS, at a cost of \$74,998.80, subject to the receipt of a TEC Form 1295 from SWS, as recommended by VSE.

ENGINEER'S REPORT

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated September 26, 2022, a copy of which is attached hereto as **Exhibit G**, 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 review and approval of Storm Water Pollution Prevention Plans or Storm Water Quality Management Plans related to construction within or on behalf of the District; (ii) the three-year plan to supplement water well production/capacity at Water Well No. 1; or (iii) street and storm sewer acceptances by Harris County.

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 VSE has completed approximately 85% of the construction plans for this project.

As to the design of Water Plant No. 2 and the acquisition of Water Plant No. 2 Site and related easements, Mr. Rubinsky reminded the Board of the District's previous discussions with the Bing family related to the District's purchase of the Water Plant No. 2 Site and related easements. He then advised that he is now in contact with the Bing family's legal counsel, and hopes to receive comments to the deed and related easements by the end of next week.

In connection with the 0.320 MGD Expansion of the Permanent WWTP, Mr. Laseter then recommended that Pay Application No. 11 from C-4 Partners in the amount of \$294,126.57, a copy of which is included in the Engineer's Report, be approved for payment.

The Board deferred any action with respect to the Water Meter Easements required from Kilcommins Group Development Companies, LLC. Ms. Falke reiterated that the taps have now been installed on this project.

In connection with applications to Harris County for the renewal and/or transfer of the District's Storm Water Quality Permits for the Towns at Seville and I-10 Bella Terra, Mr. Laseter reported that the Katy Ranch Crossing permit will expire on October 19, 2022, and is in the process of being renewed.

Mr. Rubinsky noted that SPH is still reviewing the request received from DE Corp. on behalf of the West Harris County Regional Water Authority ("WHCRWA") for a Water Line and Water Meter Easement.

Mr. Rubinsky then advised that the North Fort Bend Water Authority ("NFBWA") has requested a letter of No Objection from the District for its Segment 19 60" Water Line project. He noted that VSE is looking into the proposed location and that more information would be provided to the District at next month's Board meeting.

After discussion on these matters, it was moved by Director Welch, seconded by Director Breihan, and unanimously carried, that (i) the Engineer's Report be approved; and (ii) that Pay Application No. 11 from C-4 Partners in the amount of \$294,126.57 be approved for payment.

DEVELOPERS' REPORTS

Mr. Baker was not present to update the Board as to the status of development of Katy Ranch Crossing by Katy ABC. Mr. Laseter noted that construction continues at Premier @ Katy Apartments, Phase II project. In connection with the development of the Phase II Bella Professional Park project, Ms. Falke reported that the taps have now been installed.

Mr. Rubinsky then advised the Board that the Bing Family has requested a Utility Development Agreement for their property prior to deeding the Water Plant No. 2 Site to the District. Following discussion, Director Welch authorized SPH to prepare such a Utility Development Agreement. Director Witt seconded said motion, which unanimously carried.

UTILITY COMMITMENTS

In connection with the request of REKHA Engineering, Inc. for water and sewer service to serve Katy Surgical Center to be developed on a 2.5 acre tract located at 130 Bella Katy Drive in I-10 Bella Terra Unrestricted Reserve "A", Mr. Laseter advised that VSE is still waiting for information and documentation for the proposed utility commitment. Mr. Rubinsky noted that the proposed utility commitment to Paul Bing had been previously discussed herein.

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 advised that he anticipates the proposed sanitary sewer easement from Katy Fellowship Church by Mr. Criollo will be delivered to the church later this week. Mr. Rubinsky further advised that Mr. Criollo still needs to sign the petitions required to move forward with the annexation process. No action was required by the Board in connection with this matter.

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

The Board next considered the status of TLA's work on Phase 1A of the District's Master Park Plan. In connection therewith, Mr. Rubinsky presented to and reviewed with the Board TLA's Report dated September 26, 2022, a copy of which is attached hereto as **Exhibit H**. Following discussion, the Board noted that no action was required in connection with said matter.

ATTORNEY'S REPORT

The Board next considered the attorney's report. Mr. Rubinsky reminded the Board that Christy Bohlen had previously been suggested as a possible candidate for filling the vacancy on the Board, but that Ms. Bohlen had been unresponsive to invitations to attend a Board meeting. Following discussion, the Board determined that it would continue to pursue other potential candidates.

Mr. Rubinsky also noted that he would be travelling during the October 24, 2022, Board meeting, and that his associate, Kate Henderson, would be attending in his place.

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 August 2022, copies of which are attached hereto as **Exhibit I**. No action was required of the Board on this matter.

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 Tax Advisor's Recommendation for Proposed 2022 Tax Rate
- Exhibit C HCSO Security Patrol Report
- Exhibit D Bookkeeper's Report
- Exhibit E Third Amended and Restated Agreement for Bookkeeping Services between the District and Municipal Accounts & Consulting, L.P.
- Exhibit F Operator's Report
- Exhibit G Engineer's Report
- Exhibit H Status Report from TLA regarding Phase 1A Design Package – Park and Trail Development
- Exhibit I Off Cinco's Monthly Reports