

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

### **Minutes of Board of Directors Meeting October 25, 2021**

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in regular session on October 25, 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 Director Porter, thus constituting a quorum.

Also present were: Mike Baker of Katy ABC Properties ("Katy ABC"); Ron Dagley of The Betz Companies, on behalf of I-10/Katy, Ltd. ("I-10/Katy"); Tom Laseter of Vogler & Spencer Engineering, Inc. ("VSE"); Cathleen Falke 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"); Robin Humphrey of HdL Companies ("HdL"); 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 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 meeting held on September 27, 2021. Following discussion, Director Welch moved that the Board approve the minutes of its Board of Directors meeting held on September 27, 2021, 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 September 30, 2021, a copy of which is attached hereto as **Exhibit A**, including the disbursements presented for payment from the Tax Account. After discussion,

Director Witt 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 presented 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 October 25, 2021, a copy of which is attached hereto as **Exhibit B**. Following discussion, the Board requested that SPH contact Perdue Brandon to request they pursue outstanding taxes not included in lawsuits filed by Harris County in which Perdue Brandon intervened on behalf of the District.

### **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 in connection with monitoring of sales tax collections within the District by the City of Houston pursuant to the Strategic Partnership Agreement with the District. In that regard, Ms. Humphrey presented and reviewed with the Board a SPA STAR Report for the Third Quarter - 2021, a Sales Tax Net Payment Trend Report, and a Sales Tax Reconciliation Summary for 2021 Quarter 2 related to the Katy Ranch Development Area, copies of which are attached hereto as **Exhibit C**. Following review of said reports, Ms. Humphrey reported that HdL recommends payment of \$77,479.17 to Katy ABC for 2021 Quarter 2 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 development payment of \$77,479.17 to Katy ABC for 2021 Quarter 2 be approved, as recommended by HdL. Director Anzalotti seconded said motion, which carried unanimously.

Ms. Humphrey exited the meeting at this time.

### **BOOKKEEPER'S REPORT**

Ms. Crigger presented to and reviewed with the Board the Bookkeeper's Report dated October 25, 2021, a copy of which is attached as **Exhibit D**, including the disbursements presented for payment from the District's General Operating Account. Ms. Crigger noted that said Report includes information on both the old BBVA/PNC account and the new Central Bank account. Following discussion, Director Breihan 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 no. 8000, which was voided. Director Anzalotti seconded said motion, which unanimously carried.

### **COMPLIANCE WITH TEXAS GOVERNMENT CODE, CHAPTER 2265, RELATIVE TO ENERGY REPORTING**

The Board deferred discussion regarding the status of the District's compliance with Texas Government Code, Chapter 2265, relative to energy reporting requirements. Ms. Crigger advised that she would present that report at the next Board meeting.

**REVIEW OF PRELIMINARY PLAN OF FINANCING FOR DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2022, AND ESTABLISH PARAMETERS FOR SALE OF SAME**

Ms. Shelton addressed the Board regarding the issuance of refunding bonds for the District and, in that regard, presented to and reviewed with the Board in detail a Preliminary Plan of Financing providing for the issuance of \$11,655,000 in refunding bonds to refund \$10,990,000 of the District's outstanding Series 2013 and 2014 Bonds, a copy of which is attached hereto as **Exhibit E**. Ms. Shelton noted that an application will be submitted to S&P Global Ratings ("S&P") for a rating on the proposed refunding bonds and that applications will also be submitted for bond insurance. Ms. Shelton advised the Board that the acquisition of an acceptable rating by the District and insurance on the proposed refunding bonds would result in a positive effect on the savings to be derived by the District as a result of the proposed refunding bond issue. She noted, however, that in the event the District does not move forward with the proposed refunding bond issue, S&P's rating fee of \$17,500 would be non-refundable. After a lengthy discussion on the refunding proposal outlined by Ms. Shelton, it was moved by Director Breihan that: (i) the District proceed with the issuance of its Unlimited Tax Refunding Bonds, Series 2022 ("Series 2022 Refunding Bonds"), as outlined in the attached Preliminary Plan of Financing, (ii) the District's consultants be authorized to proceed with the preparation of a final Plan of Financing and a Pricing Certificate in connection therewith, subject to the District achieving a minimum net present value savings of 7.60% at the time of the sale of the Series 2022 Refunding Bonds and said bonds being issued in an aggregate principal amount not to exceed \$11,655,000, and (iii) Director Welch be authorized to execute S&P's application for a rating on the Series 2022 Refunding Bonds, subject to the receipt of a TEC Form 1295 from S&P. Director Anzalotti seconded said motion, which unanimously carried.

**DESIGNATION AND APPROVAL OF UNDERWRITER AND DESIGNATION OF BOARD OFFICER TO RECEIVE AND ACKNOWLEDGE RECEIPT OF MSRB RULE G-17 DISCLOSURES**

The Board next considered the designation and approval of an Underwriter in connection with the Series 2022 Refunding Bonds and the designation of a Board Officer to receive and acknowledge the receipt of MSRB Rule G-17 disclosures regarding role and compensation, material conflicts of interest and material financial characteristics and risks of the financing structure provided by SAMCO in connection with the Series 2022 Refunding Bonds. Ms. Shelton presented a chart ranking underwriters to aid in the Board's decision, a copy of which is attached hereto as **Exhibit F**. After discussion on the matter, Director Breihan moved that SAMCO Capital Markets, Inc. ("SAMCO") be designated as Underwriter for the Series 2022 Refunding Bonds and that Director Welch be authorized to receive and acknowledge the receipt of such MSRB Rule G-17 disclosures on behalf of the Board and the District. Director Anzalotti seconded said motion, which unanimously carried.

**ENGAGEMENT OF SPECIAL TAX COUNSEL, AND ADOPTING OF RESOLUTION APPROVING CONTINGENT FEE CONTRACT IN CONNECTION WITH THE DISTRICT'S SERIES 2022 REFUNDING BONDS**

There was next a discussion regarding the engagement of Special Tax Counsel relative to the District's Series 2022 Refunding Bonds. Mr. Rubinsky recommended that the Board consider engaging the firm of McCall, Parkhurst & Horton, L.L.P. ("MPH") to perform such services for the District. After discussion on the matter, Director Anzalotti moved that (i) MPH be engaged as Special Tax Counsel in connection with the District's Series 2022 Refunding Bonds and that the Board approved the engagement letter with MPH attached hereto as **Exhibit G**; (ii) the TEC Form 1295 submitted by MPH be accepted by the District and that MPH be authorized to acknowledge the District's receipt of same with the TEC; and (iii) the Resolution Approving Contingent Fee Contract attached hereto as **Exhibit H** be passed and adopted by the Board. Director Breihan seconded said motion, which unanimously carried.

**DESIGNATION OF PAYING AGENT/REGISTRAR AND ESCROW AGENT RELATIVE TO SERIES 2022 REFUNDING BONDS**

The Board next considered the designation of a Paying Agent/Registrar and an Escrow Agent in connection with the District's Series 2022 Refunding Bonds. Mr. Rubinsky advised that Regions Bank ("Regions") had submitted a proposal to serve as Paying Agent/Registrar and Escrow Agent in connection with the proposed refunding bond issue. After discussion on the matter, Director Anzalotti moved that Regions be designated as Paying Agent/Registrar and Escrow Agent in connection with the District's Series 2022 Refunding Bonds. Director Breihan seconded said motion, which carried unanimously.

**DESIGNATION OF VERIFICATION AGENT RELATIVE TO SERIES 2022 REFUNDING BONDS**

The Board next considered the designation of a Verification Agent relative to the District's Series 2022 Refunding Bonds. Mr. Rubinsky advised the Board that the ordinance of the City of Houston applicable to issuance of refunding bonds by the District requires that the District engage an independent accountant to conduct an audit to verify the savings to be experienced by the District as a result of the Series 2022 Refunding Bonds and compliance with various other requirements. After discussion on the matter, Director Anzalotti moved that the Board designate Public Finance Partners, LLC to act as Verification Agent for the District's Series 2022 Refunding Bonds. Director Breihan seconded said motion, which carried unanimously.

**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 October 25, 2021, a copy

of which is attached hereto as **Exhibit I**. 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.

Regarding the insurance claim filed in connection with the failure of the District's Water Well, Ms. Falke advised that a forensic investigation as to the cause of the well failure is underway, and that EDP will provide updates concerning the investigation as they are received.

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

### **IMPLEMENTATION OF SENATE BILL NO. 3 FROM 87<sup>TH</sup> LEGISLATIVE SESSION**

A discussion ensued regarding the implementation of Senate Bill No. 3 passed during the 87th Texas Legislative Session. In connection therewith, Mr. Rubinsky presented and reviewed with the Board a Memorandum prepared by SPH dated October 25, 2021, regarding the implementation of the requirements of such Bill, a copy of which is attached hereto as **Exhibit J**. He requested that the Board consider amending the District's Rate Order to include certain language regarding customer billing procedures and service terminations during certain extreme weather emergencies. After discussion on the matter, it was moved by Director Witt, seconded by Director Anzalotti, and unanimously carried that: (i) the District's Rate Order be amended to include the recommended language regarding billing during extreme weather emergencies, as discussed above, (ii) any and all Rate Orders heretofore adopted be revoked, and (iii) the Rate Order, which is included in **Exhibit K**, be passed and adopted.

In response to last month's Memorandum regarding HB 872, Ms. Falke stated that a customer confidentiality form or link to form had been added to the District's website and water bills.

### **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 \$3,618.00 for mowing services provided in September 2021. Following discussion, Director Anzalotti moved that the Board approve payment of said invoice in the amount of \$3,618.00. Director Breihan 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 VSE is still

waiting to receive results of the well production test conducted by G-M Services.. Mr. Laseter stated that he would follow up with G-M Services in connection with same..

### **ENGINEER'S REPORT**

Mr. Laseter presented to and reviewed in detail with the Board a written Engineer's Report dated October 25, 2021, a copy of which is attached hereto as **Exhibit L**, and discussed the status of the various projects within the District.

Mr. Laseter reported that the design of and plan production for the Wastewater Treatment Plant ("WWTP") Effluent Re-Use Facilities is underway, following receipt of the Texas Commission on Environmental Quality ("TCEQ") effluent reuse permit. The geotechnical investigation will be requested for the effluent storage pond design when the pond depth, configuration and location are confirmed.

Mr. Laseter reported that he had no update to provide in connection with the design of Water Plant No. 2. Mr. Laseter advised that the design report and plans and specifications for same are under review by the TCEQ, pending approval upon District acquisition of the site and accompanying easements.

Mr. Laseter next reported that VSE is reviewing and analyzing all data collected in connection with the WWTP Re-rating Study for submittal to the TCEQ, and that preparation of the report is forthcoming.

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 still under review by VSE. He further reported that VSE has prepared the contract with CFG Industries in connection with the Ground Storage Tank No. 1 interior/exterior recoating and structural member repair/replacement at Water Plant No.1, and that such contract has been circulated for execution.

Mr. Laster noted that no specific action was required by the Board in connection with the above items at this time.

### **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 tenancy rates have increased within his office buildings in Katy Ranch Crossing, and that retail activity appears to be picking back up.

Mr. Rubinsky next advised that he had no new updates as to the proposed development of Premier @ Katy Apartments, Phase II by RBTK Realty, LLC. He also noted that there were no new updates as to the development of Bella Professional Park at this time.

In connection with the status of 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 JKMs pro rata share of the costs of the design and construction of the expansion of the WWTP and Water Plant No. 2, Mr. Rubinsky reported that the LOC has now been renewed for another year.

### **UTILITY COMMITMENTS**

The Board next considered utility commitment requests and deferred action on the matter after noting that no new requests had been received.

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

Mr. Laseter advised Mr. Criollo has provided the requested additional deposit, as well as a copy of the deed to said property, proof of title insurance, a metes and bounds description of the property, a survey, and certain other documents. Mr. Rubinsky noted that SPH would thus begin preparation of the annexation petitions related thereto. No action by the Board was required on this matter.

### **MASTER PARKS PLAN PREPARED BY TALLEY LANDSCAPE ARCHITECTS, INC.**

Mr. Rubinsky advised that TLA's contract is still under review by SPH, but that the boundary verification and topographic and utility surveying have been completed by Windrose Surveying and Land Services ("Windrose"). In connection with such work, Windrose submitted its Invoice No. 116237-001, in the amount of \$14,925.00, a copy of which is attached hereto as **Exhibit M**. Mr. Crigger noted that this invoice, being previously approved by the Board, has been paid.

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

Mr. Rubinsky next presented for the Board's review the Harris County Sheriff's Office Contract Report for the month of September 2021, a copy of which is attached hereto as **Exhibit N**. Mr. Baker noted that criminal activity has been down in Katy Ranch Crossing, with the exception of several instances of catalytic converter theft.

### **ATTORNEY'S REPORT**

The Board next considered correspondence from the West Harris County Regional Water Authority ("WHCRWA"). Mr. Rubinsky advised the Board that SPH had received correspondence on behalf of the District from WHCRWA dated September 17, 2021, a copy of which is attached hereto as **Exhibit O**, regarding notice of an anticipated increase in the

WHCRWA's Groundwater Reduction Plan Fee from \$3.45 to \$3.70 per 1,000 gallons of water pumped and the Surface Water Fee from \$3.85 to \$4.10 per 1,000 gallons of surface water received, effective January 1, 2022. Mr. Rubinsky noted that an item will be added to the agenda for the Board's meeting to be held in November 2021 to amend the District's Rate Order relative to same.

Mr. Rubinsky next presented to and reviewed with the Board correspondence from the TCEQ dated October 1, 2021, concerning Public Interactive Water Features Connected to Public Water Supplies and the safety requirements related to same, a copy of which is attached hereto as **Exhibit P**. After discussion, the Board concurred that no action was required of the Board on this matter at this time.

A discussion then ensued regarding the time and location of Board meetings during the 2021 holiday season. It was decided that the November Board meeting will take place at SPH's new office on November 9, 2021, one week later than usual. Mr. Rubinsky reminded those in attendance that SPH's office will move from Suite 1400 to Suite 2500, at 1300 Post Oak Blvd., Houston, Texas 77056. He added that the new offices are within the same building, but attendees will need to take a different elevator bank to access the new conference rooms on the 25<sup>th</sup> floor. Thereafter upon Director Welch's request, it was decided that the December Board meeting will take place in the District on December 20, 2021. Mr. Baker graciously offered to host the District's December Board meeting at its designated meeting location in the District at 24285 Katy Freeway, Suite 300, Houston, Harris County, Texas.

### **DISTRICT WEBSITE**

Mr. Rubinsky next reported the subscriber counts and the Google Analytics Report received from Off Cinco, which are attached hereto as **Exhibit Q**. Discussion followed regarding the use of social media to increase subscriber counts.

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.

Director Anzalotti also announced that a representative of Touchstone District Services will attend the Board's November meeting in order to give a presentation on various services they can provide to the District.

### **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.

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Secretary

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## LIST OF EXHIBITS

- Exhibit A Tax Assessor/Collector's Report
- Exhibit B Delinquent Tax Report
- Exhibit C SPA STAR Report for the Third Quarter - 2021, Sales Tax Net Payment Trend Report, and a Sales Tax Reconciliation Summary for 2021 Quarter 2 related to the Katy Ranch Development Area
- Exhibit D Bookkeeper's Report
- Exhibit E Preliminary Plan of Financing for Series 2022 Refunding Bonds
- Exhibit F Underwriter Rankings
- Exhibit G MPH Engagement Letter Concerning Unlimited Tax Refunding Bonds, Series 2022
- Exhibit H Resolution Approving Contingent Fee Contract
- Exhibit I Operator's Report
- Exhibit J SPH Memorandum regarding Implementation of Senate Bill No. 3
- Exhibit K Rate Order, effective October 25, 2021
- Exhibit L Engineer's Report
- Exhibit M Windrose Land Surveying Invoice No. 116237-001 related to Master Park Plan Development
- Exhibit N HCSO Report – September 2021
- Exhibit O WHCRWA Notice of Anticipated Fees
- Exhibit P TCEQ Correspondence regarding Public Interactive Water Features Connected to Public Water Supplies
- Exhibit Q Off Cinco/Google Analytics Report