

Maintenance Report ("Test Report"), in the form attached to this Order as Exhibit "B", completed by a recognized backflow prevention assembly tester;

(iv) At the option of a non-Residential Customer, the non-Residential Customer or the District's Operator shall install any backflow prevention assembly required to be installed pursuant to this Order; provided that the District's Operator shall test any such backflow prevention assembly and shall complete and retain in the District's files for recordkeeping purposes an original Backflow Prevention Assembly Test and Maintenance Report ("Test Report"), in the form attached to this Order as Exhibit "B". The District shall charge the non-Residential Customer for the District's actual cost of the labor, materials and installation of the backflow prevention assembly and the initial test thereof, and \$100.00 for each annual test performed on such assembly;

(v) If a Customer fails to comply with the requirements of this Section 3.13(e), the District may terminate service to the Customer or the District may instruct the District's Operator to properly install, test and maintain the necessary backflow prevention assembly and bill the Customer for all expenses incurred in connection therewith;

(vi) For any inspections performed by the District's Operator under this Section 3.13(e), the Residential Customer shall be charged a fee of \$50.00 and the non-Residential Customer shall be charged a fee equal to the District's cost of time and materials.

Section 4. Method of Payment; Delinquency in Payment; Penalty; Discontinuation and Termination of Service. Except as set forth in Section 4.01 below, all payments made under this Order shall be subject to and in accordance with procedures adopted by the District's Operator as to acceptable forms of payment, which may, at the District's Operator's discretion, include one or more of the following: cash, check, money order, or cashier's check, or an Alternative Payment Service.

4.01. Penalty for Failure to Pay Bill Before Delinquency. A charge of ten per cent (10%) of the amount of the Customer's bill shall be added to the Customer's bill when such Customer has failed to pay any bill before it becomes a Delinquent Bill. A charge of \$5.00 shall also be added to a Customer's bill for each written notice of delinquency sent to a Customer. A separate charge of \$5.00 shall be imposed for the notice left on a Customer's front door. If a Customer's bill, or any part thereof, becomes a Delinquent Bill, the Delinquent Bill plus the penalty thereon and all other charges imposed by the District, shall be immediately due and payable. Prior to termination of service, a Delinquent Bill, plus the penalty thereon and all other charges imposed by the District shall be payable by either cash, cashier's check, or money order presented at the office of the District's Operator or by use of an Alternative Payment Service, subject to and in accordance with procedures adopted by the District's Operator as to acceptable forms of payment. Following termination of service, a Delinquent Bill, plus the penalty thereon, all other charges imposed by the District, and any required deposit, shall be payable only by either cash, cashier's check, or money order presented at the office of the District's Operator, subject to and in accordance with procedures adopted by the District's Operator as to acceptable forms of payment. All such amounts shall be paid in full prior to the restoration of service where service has been terminated because of a Customer's failure to pay a bill before it became a Delinquent Bill. A charge of \$25.00 shall be imposed for each notice forwarded to a Customer as a result of a Customer's payment (whether made by check or via one or more Alternative Payment Services) being returned by a bank or other third-party payor for any reason. In addition, should a payment (whether by check or via one or more Alternative Payment Service) have been returned by a bank or other third-party payor then the returned payment shall be replaced with either money order or cashier's check, or, if accepted by the District's Operator, cash, all subject to and in accordance with procedures adopted by the District's Operator as to acceptable forms of payment presented at the office of the District's Operator. This provision shall apply regardless of whether Customer's bill is a Delinquent Bill at the time the payment is returned.

4.02. Termination of Service. The District shall have the right to terminate service and cut off the supply of water to a Customer and/or a Customer's access to the Systems at any time after its bill becomes a Delinquent Bill or upon violation by the Customer of this Order or of any order regulating waste heretofore or hereafter adopted by the District. The Customer shall, by written notice mailed to the Customer's address as reflected in the records of the District, be notified of the delinquency or violation and the date on which service shall be terminated if the account (including delinquent charges and penalty) is not paid in full or the violation corrected, which date shall not be less than five (5) days from the date such notice is sent. With respect to a Delinquent Bill, such notice shall state the place and time at which the account may be paid and the method by which it must be paid as set forth in Section 4.01 above and that any errors in the bill may be corrected by contacting the billing company, whose telephone number shall also be given in such notice. All notices of termination shall state that the Customer has the right to appeal such termination to the Board of Directors of the District. The notice shall also be left by the District's Operator on the front door at the address to which the service in question was provided at least twenty-four (24) hours prior to the time at which service shall be terminated. If the delinquent account (including any non-delinquent portion thereof), including penalty and all other charges then due and owing, has not been paid in full or the violation corrected by the proposed termination date, service shall then be discontinued unless otherwise agreed by the Board of Directors of the District. A charge of \$50.00 shall be imposed for the restoration of service discontinued pursuant to this section.

4.03. Discontinuing Service Upon Request of a Customer; After Hours Service. Whenever a Customer of the District requests that service be temporarily discontinued, Customer shall notify the District's Operator at least two days prior to the time that such service discontinuation is desired, unless discontinuation is requested sooner to enable emergency plumbing repairs, except as set forth below. A charge of \$25.00 shall be made for discontinuation of service and a charge of \$25.00 shall be made for restoring service (between 8:00 a.m. and 5:00 p.m. on weekdays excluding state or national holidays) when such service is

discontinued and restored at the request of the Customer and Customer is not delinquent in the payment of any bill at the time of either request. Temporary discontinuation and restoration of service (between 8:00 a.m. and 5:00 p.m. on weekdays excluding state or national holidays) requested by a Customer to enable Customer to make plumbing repairs within the facility served shall be performed by the District for a charge of \$25.00 to the Customer. Notwithstanding the foregoing, when a Customer of the District requests service to be discontinued or turned on (whether for new or transferred service or plumbing repairs or after discontinuation as set forth in this Order) prior to 8:00 a.m. or after 4:00 p.m. on weekdays (excluding state or national holidays) or on weekends or state or national holidays, a charge of \$50.00 shall be imposed.

Section 5. Storm Sewer System. The District owns, operates and maintains all or a portion of the Storm Sewer System in order to furnish storm water drainage service to the land located within its boundaries. Storm water drainage may be discharged by Customers and property owners within the District to the Storm Sewer System, subject to the provisions of this Section 5 and the requirements of any federal, state or local agency with jurisdiction over storm drainage and flood control.

5.01. Connection to Storm Sewer System. Residential Customers may discharge storm water flows to the curb and gutter system. Otherwise, no physical connection to the Storm Sewer System shall be made by Residential Customers without the prior written consent of the Board of Directors of the District. The Board of Directors may grant, deny or condition such consent in its sole discretion. Physical connection to the Storm Sewer System by a Residential Customer shall at all times be subject to such terms and conditions as may be specified by the Board of Directors, if and to the extent consent for same is given. Physical connection to the Storm Sewer System may be made by non-Residential Customers, subject to compliance with the remaining provisions of this Section. For purposes of the remainder of this Section 5.01 and Section 5.02 only, the term "physical connection" means and refers to a controlled conveyance of storm water by pipe, line, drainage ditch or swale or other improvements or facilities, and excludes the uncontrolled sheet flow of storm water.

An application for a physical connection to the Storm Sewer System by a non-Residential Customer may be made at the same time, or separate from, an application for a physical connection to the Water System or Sanitary Sewer System under Section 2.05 hereof. Each such applicant for a physical connection to the Storm Sewer System or an applicant with an existing physical connection to the Storm Sewer System that has proposed changes to and/or construction within its site that would require an additional connection of its internal storm sewer lines to the Storm Sewer System, shall, not less than thirty (30) days prior to the requested connection date or thirty (30) days prior to the proposed change and/or construction date, as applicable, submit to the District's Engineer or other party designated by the Board of Directors of the District, the following information:

- (a) Engineering plans (three sets for District purposes) signed and sealed by a Registered Professional Engineer of the State of Texas indicating details of building internal storm sewer collection and detention facilities, materials to be used and the location, size and number of proposed connections to the District's Storm Sewer System or applicant's existing internal storm sewer system, as applicable;

- (b) The legal description of the land to be served by the Storm Sewer System and a copy of the recorded plat of same; and

- (c) A general description of the type of proposed improvements to be served by the Storm Sewer System, calculations of square footage of proposed impervious cover, and, if applicable, a description of the special measures taken in order to prevent any discharges to the Storm Sewer System in violation of this Order.

In recognition of the District's obligation to protect and maintain public health and the District's obligation to regulate discharges to the Storm Sewer System under federal, state and local laws and regulations, including, without limitation the National Pollutant Discharge Elimination System adopted under Title 40, Part 22 of the Code of Federal Regulations, as amended, the Clean Water Act, 33 U.S.C. § 1251 *et seq.*, as amended, the Texas Pollutant Discharge Elimination System ("TPDES"), and, with respect to the areas of the District located within

Harris County, the "Harris County Storm Water Management Handbook for Construction Activities, 2006 Edition," as amended, excluding Chapter 3, Chapter 5, and Appendix D therein, and with respect to the areas of the District located within Fort Bend County, the provisions of the TPDES General Permit for Fort Bend County, the provisions of the TPDES General Permit for Small Municipal Separate Storm Sewer Systems (TXR0400000), and the "Construction Site and Post-Construction Runoff Controls Storm Water Permit and Storm Water Quality Plan Guidelines – Fort Bend County", as amended, excluding Section 1 therein, the District's Engineer or other party designated by the Board of Directors of the District shall review the information presented and may approve or reject the application, request that further information be submitted prior to approval of the application, or require modifications to be made to the plans, including without limitation, requiring the installation of physical control measures to prevent unauthorized discharges to the Storm Sewer System. The Customer shall be responsible for payment of all costs in connection with the review of said information. Customer shall be notified in writing as to the basis for rejection of its application. Failure to construct the facilities in accordance with approved plans shall constitute a basis for denial of District services or a basis for removal or suspension of District services, as applicable. If the application information is not timely provided, the District shall not be held responsible for delays in the installation of water and sanitary sewer connections or the provision of District services. Payment of any tap fees under Section 2.04 or Section 5.02(b), as applicable, prior to the approval of plans shall not be considered approval of said plans or approval for connection to the Storm Sewer System or applicant's internal storm sewer system, as applicable. Any unauthorized physical connection to the Storm Sewer System or applicant's existing internal storm sewer system, as applicable, may be removed without notice at the expense of the Customer or person or firm causing such connection to be made.

5.02. Storm Water Detention.

(a) Detention Capacity. Non Residential Customers and owners of non-Residential property within the District shall be responsible for constructing, installing, operating and maintain on-site private storm water detention facilities at no cost or expense to the District and in accordance with the requirements of any federal, state or local agency with jurisdiction over storm drainage and flood control. The Storm Sewer

System furnishes or will be constructed to furnish post development storm water detention capacity for all the Customers and owners of property within the boundaries of the District.

(b) Tap Fee for Nontaxable Entity. In addition to any tap fee which may be due for a physical connection to the Water System or Sanitary Sewer System under Section 2.04 hereof, a Nontaxable Entity which requires or will otherwise utilize detention capacity provided by the Storm Sewer System shall pay an additional tap fee equal to the applicant's proportionate share of actual or estimated costs to the District for all facilities that are necessary to provide such detention capacity and that are financed or are to be financed in whole or in part by tax-supported bonds of the District. Unless otherwise approved by the Board of Directors of the District, such fee shall be paid within thirty (30) days following the date of an invoice from the District therefor. Notwithstanding any provision in this Order to the contrary, should a tract and/or the improvements thereon become owned and/or occupied by a Nontaxable Entity after physical connection to the Storm Sewer System such that ad valorem taxes are not due to the District with respect thereto, said Nontaxable Entity shall pay the fee specified in this Subsection (b) within thirty (30) days following the date of an invoice from the District therefor. Also notwithstanding any provision in this Order to the contrary, should a Nontaxable Entity which previously paid a tap fee pursuant to this Subsection (b) subsequently acquire additional land, construct additional improvements and/or otherwise modify the use of its existing land and/or improvements such that it increases the Nontaxable Entity's use of detention capacity in the Storm Sewer System, said Nontaxable Entity shall pay the fee specified in this Subsection (b) for such increased use, less any tap fee previously paid with respect to detention capacity in the Storm Sewer System, within thirty (30) days following the date of an invoice from the District therefor. The foregoing provisions shall also apply if (i) the Customer failed to advise the District at the time of the initial application for a connection to any of the Systems that it

was a Nontaxable Entity, regardless of the reason for any such failure, or (ii) subsequent to a Nontaxable Entity's initial application, additional service is required due to the Nontaxable Entity's acquisition of additional land, construction of new improvements and/or modification of the use of its existing land and/or improvements. In such instances, the fee in this Subsection (b) shall apply retroactively to the date of the initial application or the date of the changes since the Nontaxable Entity's initial application.

5.03 Regulation of Discharge to Storm Sewer System.

(a) Illicit Discharge. Discharge to the Storm Sewer System shall be limited solely to storm water discharges and non-storm water discharges or flows from the following sources:

- (1) water line flushing (excluding discharges of hyper-chlorinated water, unless the water is first de-chlorinated and discharges are not expected to adversely affect aquatic life);
- (2) runoff or return flow from landscape irrigation, lawn irrigation, and other irrigation utilizing potable water, groundwater, or surface water sources;
- (3) discharges from potable water sources;
- (4) diverted stream flows;
- (5) rising ground waters and springs;
- (6) uncontaminated ground water infiltration;
- (7) uncontaminated pumped ground water;
- (8) foundation and footing drains;
- (9) air conditioning condensation;
- (10) water from crawl space pumps;
- (11) individual residential vehicle washing;
- (12) flows from wetlands and riparian habitats;
- (13) de-chlorinated swimming pool discharges;
- (14) street wash water;
- (15) discharges or flows from firefighting activities (firefighting activities do not include washing of trucks, run-off water from training activities, test water from fire suppression systems, and similar activities);
- (16) other allowable non-storm water discharges listed in 40 C.F.R. § 122.26(d)(2)(iv)(B)(1), as amended; and



- (17) non-storm water discharges that are specifically listed in the TPDES Multi-Sector General Permit (TXR050000) or the TPDES Construction General Permit (TXR150000).

Without limiting the generality of the above, no solids, grass or yard clippings, trash, construction materials, oils or grease, sludge or tank trunk waste (except waste from sources permitted above) shall be introduced into the Storm Sewer System.

(b) Access; Detection; Elimination. All Customers or owners of property that have a physical connection to the Storm Sewer System or that discharge to the Storm Sewer System shall allow access to their property and/or the property under their control by the District's Engineer, the District's Operator, or any District employee, consultant, agent or contractor, during normal business hours for the purpose of inspection or investigation of possible illicit connections to the Storm Sewer System, unauthorized discharges to the Storm Sewer System, or other violations of this Order related to the Storm Sewer System. The District will determine through the inspection if the illicit discharge may pose a serious threat to the integrity of the Storm Sewer System.

(c) Failure to Comply. Violations of this Section 5.03 are subject to penalties as set forth in this Order. Non-compliance with federal, state or local storm water quality laws, regulations or requirements shall constitute a violation of this Order, without regard to whether any federal, state or local administrative agency has investigated, issued a Notice of Violation, or otherwise made a determination with respect to such non-compliance and notwithstanding any other provision of this Order which may appear to omit such laws, regulations or requirements. In addition, and without limiting the rights and remedies available to the District, the District may assess fees and costs incurred by the District to repair damage to the Storm Sewer System and to remove unauthorized materials from the Storm Sewer System.

#### 5.04. Construction Activity.

(a) Storm Water Controls; Plan Review; Site Inspections. Prior to the disturbance of soils associated with any construction activity within the District requiring

county or municipal construction permits, with respect to the area of the District located within Harris County, proper erosion control devices shall be designed, installed, and maintained in accordance with "Harris County Storm Water Management Handbook for Construction Activities, 2006 Edition," as amended, excluding Chapter 3, Chapter 5, and Appendix D therein, and, with respect to the areas of the District located within Fort Bend County, "Construction Site and Post-Construction Runoff Controls Storm Water Permit and Storm Water Quality Plan Guidelines - Fort Bend County," as amended, excluding Section 1 therein. Construction plan reviews and inspections are required on all new development and redevelopment construction projects which disturb one acre or more, including projects less than one acre that are part of a larger common plan of development or sale that would disturb one acre or more. Construction plans shall be submitted to the District's Engineer for review prior to the start of any construction activities. The District's Engineer will review the construction plans and determine if proper erosion control devices are included in the project.

(b) Construction Site Operators. The following provisions apply to all new development and redevelopment construction projects which disturb one acre or more, including projects less than one acre that are part of a larger common plan of development or sale that would disturb one acre or more. As used hereinafter, the term "Construction Site Operator," shall have the definition ascribed to the term "Operator" under the TPDES Construction General Permit (TXR150000) issued by the Texas Commission on Environmental Quality. In addition, capitalized terms used in this Subsection (b) that are not otherwise defined hereinafter shall have the meanings ascribed under TXR150000.

(1) Compliance with TXR150000. A Construction Site Operator is at all times required to be compliant with TXR150000. A storm water pollution prevention plan ("SWP3") with a descriptive narrative of the project, a site plan, and proposed Best Management Practices ("BMPs") must be prepared at least

seven (7) days prior to commencement of soil-disturbing activities. For Small Construction Activities, a copy of the signed and certified construction site notice required under TXR150000 must be provided to the District's Engineer at least two (2) days prior to commencement of soil disturbing activities. For Large Construction Activities, among other notices required under TXR150000, a copy of the signed Notice of Intent ("NOI") for TPDES permit coverage under TXR1500000 must be submitted by the Construction Site Operator to the Texas Commission on Environmental Quality and to the District's Engineer at least seven (7) days prior to commencement of soil disturbing activities. The Construction Site Operator is responsible for the inspections required under TXR150000 and the implementation and regular maintenance of all BMPs listed in the SWP3 as required under TXR150000.

(2) Construction Site Operator Responsibilities. A Construction Site Operator is responsible for the management, implementation, SWP3 compliance, and compliance with all of their subcontractors, trades, suppliers, and agents.

(i) Erosion control devices shall be maintained in place at all times during construction activities. Contractors shall control all waste at the construction site such as discarded building materials, concrete truck washout water, chemicals, litter, and sanitary waste that may cause adverse impacts to water quality.

(ii) Prior to the completion of any approved construction activity, contractors must address post construction runoff. Erosion control devices shall be installed and maintained upon completion, where all construction debris and rubbish shall be removed from the site, and any damage to the District's facilities (including but not limited to the Storm Sewer System) shall be repaired at the expense of the developer, the Builder or homeowner constructing the improvements. The

contractor is responsible for ensuring all erosion control devices and non-structural controls function properly so illicit discharge do not enter into the storm sewer system. All erosion control devices and non-structural controls must meet District standards or otherwise be satisfactory to the District's Engineer.

(c) Construction Site Inspections. The District reserves the right to conduct periodic construction site inspections to ensure compliance with this Section 5.03. Such inspections may be on a scheduled basis or on an as-needed, unannounced basis. No prior notification of an inspection shall be required from the District. The inspections will be performed by a representative of the District and documented utilizing an Engineering Checklist, Construction Inspection Form, and/or other forms.

(d) Failure to Comply. Failure of the Construction Site Operator, a contractor, subcontractor, developer, Builder, homeowner, Customer, or other person, firm, corporation or entity to comply with this Section 5.03 is a violation of this Order. Non-compliance with TXR150000 is a violation of this Order without regard to whether the Texas Commission on Environmental Quality or any federal, state or local administrative agency has investigated, issued a Notice of Violation, or otherwise made a determination with respect to such non-compliance. In addition, and without limiting the rights and remedies available to the District, the District may assess fees and costs to the Construction Site Operator to repair damage to the Storm Sewer System and to install or repair the BMPs necessary to correct a violation of this Section 5.04.

Section 6. Damage to District Facilities; Tampering; Repairs and Obstructions.

6.01. Damage to and Tampering With Meters and/or District Facilities and Appurtenances. No person other than a duly authorized agent of the District shall open any meter box, repair, alter, adjust, remove, make connections or additions to, restore service when terminated for any reason under this Order, or in any other way take any action which affects any meter, meter box, service line or other appurtenance to any of the Systems. No person shall

direct discharges to the Storm Sewer System in violation of this Order. The District reserves the right to immediately and without notice remove the meter or disconnect water service and/or any other service to any Customer whose meter, meter box, service line or other appurtenance to any of the Systems has been tampered with or altered in any way, or who has reconnected service which was terminated by the District or who has connected or otherwise directed discharges to a Storm Sewer System facility. In addition to the disconnection and reconnection fees charged under Section 4.02 of this Order and any penalties assessed under Section 7 of this Order, the District shall assess (i) a fee of \$50.00 for the removal and reinstallation of a meter under this Section 6.01, and (ii) any repair costs incurred by the District hereunder, and (iii) a damage fee of \$100.00.

6.02. Right to Repair. In recognition of the District's obligation to protect and maintain the public health, the District reserves the right to repair damage to the Systems and appurtenances caused by Customer without prior notice, and to assess against Customer such costs, including attorneys' fees, and such penalties as are provided in this Order or otherwise provided by law or legally available to the District, in addition to those charges necessary to repair the portion of the Systems so damaged.

6.03. Obstructions. After a water meter has been set, the Customer shall at all times keep the area in, around and upon the meter and box and District easements and property under Customer's control free from rubbish or obstructions of any kind. Failure to keep the meter and box and District easements and property under Customer's control free from rubbish or obstructions may result in disconnection of service and/or the assessment of charges necessary to remove said obstructions. Customers are prohibited from introducing material into the Sanitary Sewer System which would cause obstruction of said System. In the event that an inspection by the District's Engineer or District's Operator reveals damage to the Sanitary Sewer System resulting from a Customer's failure to prevent obstructing materials from entering said System, the District reserves the right to immediately and without notice remove the obstruction. Any District costs for removal of obstructions, including the cleaning of grease traps or other

pretreatment units, plus a District administration fee of fifty percent (50%) of said costs, shall be assessed to Customer. The District's Operator shall have rights of ingress and egress to Customer's property in order to carry out the provisions of this Section.

Section 7. Penalties for Violation; Attorney's Fees and Court Costs. Any person, corporation or other entity who:

- (1) violates any section of this Order or any order regulating waste heretofore or hereafter adopted by the District; or
- (2) makes unauthorized use of any of the Systems or District services or facilities including any trespass onto District sites, including but not limited to, the site of a District stormwater detention pond or drainage channel; or
- (3) violates the District's "Rules and Regulations Governing Sewer House Lines and Sewer Connections" or any other rules or regulations or written agreements of the District;

shall be subject to a civil penalty of not less than \$200.00, and in no event to exceed \$10,000, for each breach of the foregoing provisions. Each day that a breach continues shall be considered a separate breach. The amount of any penalty levied by the District pursuant to this Section 7 shall be established by the District's Board of Directors after reasonable notice to the violator and a public hearing relative to such matter before the Board of Directors.

Penalties levied under this Section 7 shall be in addition to such other penalties as are provided in this Order or any order regulating waste or Drought Contingency Plan heretofore or hereafter adopted by the District, any other penalties provided under the laws of the State of Texas, and any other right of recovery that the District may have for damages or otherwise under applicable law. Notwithstanding the foregoing, in no event shall the District levy a penalty that is in excess of the jurisdictional limit of the justice court as provided by Section 27.031, Texas Government Code, as amended. In addition to the enforcement provisions set forth in this Order, the provisions of this Order, including any penalties levied hereunder, may be enforced by complaints filed in the appropriate court of jurisdiction in the county in which the District's

principal office or meeting place is located. If the District prevails in any suit to enforce its rules, it may, in the same action, recover reasonable fees for attorneys, expert witnesses and other costs incurred by the District before the court. The amount of attorney's fees shall be fixed by the court.

Section 8. Appeal; Accuracy of Meters. (a) Any determination by District's Operator or District's Engineer or authorized agent of the District or any dispute regarding the terms and provisions of this Order may be appealed to the Board of Directors of the District which shall conduct a hearing on the matter. All appeals shall either be submitted by Customer in writing or presented by Customer in person to the Board of Directors of the District at its regular meeting. In order to maintain service during the pendency of any such appeal in connection with fees or charges assessed hereunder, Customer shall pay all amounts, including service charges, penalties and other charges, due and payable to the District. Any amounts which are paid by the Customer and subsequently determined by the Board of Directors not to have been due shall be refunded to the Customer or credited against future bills, at the discretion of the District. The District's Operator and/or attorney shall provide Customer with information regarding appeals and hearing procedures upon Customer's request.

(b) If a Customer requests that a water meter which serves the Customer be removed for testing to verify the accuracy of same, the following charges shall apply:

(1) If the test of the meter reflects that it measures more than 105% (or less than 95%) of the water actually delivered, the District shall not charge the Customer for testing or replacement of the meter.

(2) If the test of the meter reflects that it measures between 95% and 105% of the water actually delivered, the Customer shall be charged \$25.00 for testing plus the District's actual cost to replace the meter. In no event shall an adjustment be made to Customer's bills prior to the request for testing of the meter unless the District, in its sole judgment, can ascertain with reasonable certainty when the inaccuracy began.

Section 9. Amendments. The District's Board of Directors has and specifically reserves the right to change, alter or amend any rate or provision of this Order at any time.

Section 10. Severability. The provisions of this Order are severable, and if any provision or part of this Order or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Order and application of such provision or part of this Order shall not be affected thereby.

The President or Vice President is authorized to execute and the Secretary or Assistant Secretary is authorized to attest this Order on behalf of the Board and the District.



Passed and adopted this 25th day of January, 2016, to be effective as of February 1, 2016.

ATTEST:

/s/ Ron Welch  
President, Board of Directors

/s/ Marlene Schnick  
Secretary, Board of Directors

(SEAL)

400162.2

EXHIBIT "A"

Service Inspection Certification Form

Harris-Fort Bend Counties Municipal Utility District No. 3

District's I.D. #6001527

Location of Service \_\_\_\_\_

I, \_\_\_\_\_, upon inspection of the private water distribution facilities connected to the aforementioned public water supply do hereby certify that, to the best of my knowledge

	<u>Compliance</u>	<u>Non-Compliance</u>
(1) No direct connection between the public drinking water supply and a potential source of contamination exists. Potential sources of contamination are isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with TCEQ regulations and the provisions of the District's Rate Order.	<input type="checkbox"/>	<input type="checkbox"/>
(2) No cross-connection between the public drinking water supply and a private water system exists. Where an actual air gap is not maintained between the public water supply and a private water supply, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention device tester.	<input type="checkbox"/>	<input type="checkbox"/>
(3) No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the public water supply.	<input type="checkbox"/>	<input type="checkbox"/>
(4) No pipe, pipe fitting, plumbing fitting or fixture which contains more than a weighted average of 0.25% lead exists in private plumbing facilities installed on or after January 4, 2014.	<input type="checkbox"/>	<input type="checkbox"/>
(5) No solder or flux which contains more than 0.2% lead exists in private plumbing facilities installed on or after July 1, 1988.	<input type="checkbox"/>	<input type="checkbox"/>

I further certify that the following materials were used in the installation of the private water distribution facilities:

Service line	Lead	<input type="checkbox"/>	Copper	<input type="checkbox"/>	PVC	<input type="checkbox"/>	Other	<input type="checkbox"/>
Solder	Lead	<input type="checkbox"/>	Lead Free	<input type="checkbox"/>	Solvent Weld	<input type="checkbox"/>	Other	<input type="checkbox"/>

I recognize that this document shall become an official record of Harris-Fort Bend Counties Municipal Utility District No. 3 and that I am legally responsible for the validity of the information I have provided.

\_\_\_\_\_  
Signature of Inspector

\_\_\_\_\_  
Registration Number

\_\_\_\_\_  
Title

\_\_\_\_\_  
Type of Registration

\_\_\_\_\_  
Date

EXHIBIT "B"

Backflow Prevention Assembly Test and Maintenance Report

The following form must be completed for each assembly tested. A signed and dated original must be submitted to the District for recordkeeping purposes.

**BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT**

NAME OF DISTRICT: Harris-Fort Bend Counties Municipal Utility District No. 3

DISTRICT IDENTIFICATION NO. 6001527

MAILING ADDRESS: 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056

CONTACT PERSON: \_\_\_\_\_

LOCATION OF SERVICE: \_\_\_\_\_

The backflow prevention assembly detailed below has been tested and maintained as required by TCEQ regulations and is certified to be operating within acceptable parameters.

**TYPE OF ASSEMBLY**

- |  |  |
|--|--|
| <input type="checkbox"/> Reduced Pressure Principle<br><input type="checkbox"/> Double Check Valve<br><input type="checkbox"/> Pressure Vacuum Breaker | <input type="checkbox"/> Reduced Pressure Principle-Detector<br><input type="checkbox"/> Double Check-Detector<br><input type="checkbox"/> Spill-Resistant Pressure Vacuum Breaker |
|--|--|

Manufacturer: \_\_\_\_\_ Size: \_\_\_\_\_

Model Number: \_\_\_\_\_ Located At: \_\_\_\_\_

Serial Number: \_\_\_\_\_

Is the assembly installed in accordance with manufacturer recommendations and/or local codes? \_\_\_\_\_

	Reduced Pressure Principle Assembly			Pressure Vacuum Breaker	
	Double Check Valve Assembly		Relief Valve	Air Inlet	Check Valve
	1st Check	2nd Check		Opened at ____ psid Did not Open <input type="checkbox"/>	____ psid Leaked <input type="checkbox"/>
Initial Test	Held at ____ psid Closed Tight <input type="checkbox"/> Leaked <input type="checkbox"/>	Held at ____ psid Closed Tight <input type="checkbox"/> Leaked <input type="checkbox"/>	Opened at ____ psid Did not open <input type="checkbox"/>		
Repairs and Materials Used					
Test After Repair	Held at ____ psid Closed Tight <input type="checkbox"/>	Held at ____ psid Closed Tight <input type="checkbox"/>	Opened at ____ psid	Opened at ____ psid	____ psid

Testing gauge used: Make/Model:\_\_\_\_\_ SN:\_\_\_\_\_ Calibration Date:\_\_\_\_\_

Remarks:\_\_\_\_\_

The above is certified to be true at the time of testing.

Firm Name: \_\_\_\_\_ Certified Tester: \_\_\_\_\_

Firm Address: \_\_\_\_\_ Cert. Tester No.: \_\_\_\_\_

Firm Phone No.: \_\_\_\_\_

Date: \_\_\_\_\_

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

### **Minutes of Board of Directors Meeting**

**January 25, 2016**

The Board of Directors of Harris-Fort Bend Counties Municipal Utility District No. 3 met in special session at the Board's regular meeting place on January 25, 2016, 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  
Marlene R. Schnick, Secretary  
Derrell Witt, Assistant Secretary  
Robert L. White, Director

and all of said persons were present except Director White, thus constituting a quorum.

Also present were Kayla Crigger of Municipal Accounts & Consulting, L.P. ("MA&C"); Lauren Davis of Wheeler & Associates, Inc. ("Wheeler"); Mark McGrath of McGrath & Co., PLLC ("McGrath"); Debbie Shelton of First Southwest Company ("First Southwest"); Richard Fletcher of Sales Tax Assurance, L.L.C. ("STA"); Cathleen Falke and Stephanie Bowden of Environmental Development Partners, LLC ("EDP"); Tom Laseter of Van De Wiele & Vogler Incorporated ("Van De Wiele"); Mike Baker of Katy ABC Properties ("Katy ABC"); and Matthew Reed and Shauna Weise of Schwartz, Page & Harding, L.L.P. ("SPH"). Ms. Crigger and Mr. Moore entered the meeting at a later time, as noted herein.

The President called the meeting to order and declared same open for business as might properly come before it.

### **APPROVAL OF MINUTES**

The Board considered approval of the minutes of its previous Board of Directors meetings. After discussion, Director Schnick moved that the minutes of the Board of Directors meeting held January 27, 2014, March 24, 2014, April 28, 2014, and June 23, 2014, be approved, as written. Director Porter seconded said motion, which unanimously carried.

### **TAX ASSESSOR-COLLECTOR'S REPORT**

Ms. Davis presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of December 31, 2015, a copy of which is attached hereto as **Exhibit A**, including the checks presented for payment from the Tax Account. Ms. Davis additionally presented for the Board's review the District's Delinquent Tax Roll as of December 31, 2015, a copy of which is attached to the Tax Assessor-Collector's Report. After discussion, Director Porter moved that the Tax Assessor-Collector's Report be approved as presented, and that the payment of the checks

identified in said Report from the District's Tax Account be authorized. Director Schnick seconded said motion, which carried unanimously.

### **DELINQUENT TAX COLLECTIONS REPORT**

Mr. Reed presented and reviewed the Delinquent Tax Report prepared by the District's delinquent tax collections attorneys, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. dated January 25, 2016, a copy of which is attached hereto as **Exhibit B**. The Board noted that no action was requested in connection with said Report at this time.

Ms. Crigger entered the meeting at this time.

### **RESOLUTION AUTHORIZING AN ADDITIONAL PENALTY ON DELINQUENT PERSONAL PROPERTY TAXES**

The Board considered the adoption of a Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes, a copy of which is attached hereto as **Exhibit C**. Mr. Reed advised that the Board is authorized pursuant to Section 33.11 of the Texas Tax Code, as amended, to impose, under certain conditions, 60 days after the date the taxes become delinquent, an additional penalty not to exceed twenty percent (20%) of the total taxes, penalty and interest due the District on personal property taxes that remain delinquent as of said 60<sup>th</sup> day, as more fully described in said Resolution. After discussion, it was moved by Director Schnick, seconded by Director Porter and unanimously carried, that the Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes be adopted by the Board, and that Perdue be authorized to proceed with the collection of the District's 2015 delinquent personal property accounts following proper notice as provided in said Resolution, including the filing of lawsuits, as necessary.

### **2016 TAX EXEMPTIONS**

Mr. Reed outlined for the Board the various tax exemptions available for the District, including the exemptions provided for by Article VIII, Section 1-b of the Texas Constitution, and Section 11.13 of the Tax Code, as amended. He advised that under said provisions, the District may provide for the exemption of up to 20% (but not less than \$5,000, if granted) of the market value of residential homestead improvements for tax year 2016, and the District may also exempt residential homesteads of persons who are under a disability for purposes of payment of disability insurance benefits under the Federal Old Age, Survivors and Disability Insurance Act, or its successor, or persons sixty-five years of age or older from ad valorem taxes levied by the District during tax year 2016, and, if any such exemptions are granted, they must be for not less than \$3,000 of the market value of such homesteads. After further discussion of the matter, Director Welch moved that the District (a) not grant the general residential homestead exemption and (b) not grant an exemption for persons under a disability or sixty-five years of age or older from ad valorem taxes levied by the District during tax year 2016, and that the Resolution attached hereto as **Exhibit D** relative to same be approved and adopted by the Board and District. Director Schnick seconded said motion, which carried unanimously.

**\$9,850,000 UNLIMITED TAX BONDS, SERIES 2015A ("BONDS") AND SUPPLEMENTAL DEVELOPER REIMBURSEMENT AUDIT**

In connection with the sale of the District's Bonds which closed on December 15, 2015, Mr. McGrath presented and reviewed with the Board a draft supplemental reimbursement report dated January 25, 2016, related to the payment of additional proceeds from the Bonds to Katy ABC, a copy of which is attached hereto as **Exhibit E**. After discussion on the matters, it was moved by Director Porter, seconded by Director Schnick and unanimously carried that the supplemental audit report be approved and funds be disbursed in accordance therewith, subject to the District's receipt of a Receipt and Indemnity executed by Katy ABC in the form required by the District and approved by SPH.

**FINANCIAL ADVISOR'S REPORT REGARDING FUTURE BOND ISSUE**

Ms. Shelton next discussed with the Board the possibility of issuing bonds this year. In this regard, Mr. Baker reviewed and presented to the Board correspondence that he sent to Mr. McGrath dated January 25, 2016, regarding the remaining amount of reimbursements (before developer interest) that Mr. Baker claims are owed by the District to Katy ABC, a copy of which correspondence is attached as **Exhibit F**. Mr. McGrath noted that he has the documentation necessary to verify the amount of reimbursements claimed by Katy ABC in such correspondence. Director Welch pointed out the amount of surplus general operating funds in the District's accounts to which Ms. Crigger confirmed pursuant to the Bookkeeping Report. A discussion ensued regarding the use of surplus operating revenues to reimburse Katy ABC the remaining amount of what it claims is owed to it by the District. After discussion, the Board authorized McGrath, Van De Wiele, and SPH to prepare – for the Board's consideration at the next Board meeting – the documents necessary to use surplus operating revenues (not maintenance tax revenue) to reimburse Katy ABC the remaining amount of reimbursements that it claims is owed to it by the District, subject to McGrath's and Van De Wiele's review and approval of the documentation and calculations regarding such claimed reimbursements and the review of the legal eligibility of such amounts to be reimbursed by the District by SPH. In this regard, Mr. Reed reported that SPH will, among other things, review documents to advise the Board of Directors as to whether or not all of the projects related to the claimed reimbursements have been approved by the TCEQ, whether the facilities and sites related to such projects have been properly conveyed to the District, and whether and to what extent the District is authorized under the rules of the TCEQ to "purchase" such facilities and sites by making such reimbursement payments to Katy ABC. The Board authorized McGrath to prepare a subsequent developer reimbursement audit report concerning the use of general operating revenues to make such proposed reimbursement payments to Katy ABC. It was noted that the Bonds were sold at the net effective interest rate of 3.610895%. Mr. Baker agreed to the use of 3.610895% as the interest rate to calculate developer interest related to such claimed reimbursements.

Further, the Board requested that Ms. Shelton prepare an analysis regarding the District's next bond issue exclusive of the remaining amount of reimbursements claimed by Katy ABC for the Board's consideration at the next Board meeting, to which Ms. Shelton agreed.

Mr. McGrath exited the meeting at this time.



## **SALES TAX MONITORING SERVICE**

The Board next considered the Sales Tax Reports and the Developer Reconciliation Report relative to Katy Ranch Crossing prepared by STA 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 connection therewith, Mr. Fletcher presented and reviewed with the Board a SPA STAR Report for the Fourth Quarter - 2015, a Sales Tax Net Payment Trend report and a Sales Tax Reconciliation Summary, copies of which are attached hereto as **Exhibit G**. Following review of said reports, Mr. Fletcher recommended the payment of \$30,097.28 to Katy ABC. After discussion, Director Welch moved that the Sales Tax Report for the Fourth Quarter – 2015 and economic development payment of \$30,097.28 to Katy ABC be approved. Director Porter seconded said motion, which carried unanimously.

## **BOOKKEEPER'S REPORT**

Ms. Crigger presented and reviewed with the Board the Bookkeeper's Report dated January 25, 2016, a copy of which is attached hereto as **Exhibit H**, including the checks presented for payment from the District's various accounts. After discussion, Director Schnick moved that the Board approve the Bookkeeper's Report, including the checks presented for payment. Director Porter seconded said motion, which unanimously carried.

Ms. Davis exited the meeting at this time.

## **LIST OF QUALIFIED BROKERS**

The Board considered adopting a list of qualified brokers authorized to engage in investment transactions with the District. Mr. Reed advised that, pursuant to the Public Funds Investment Act, the Board is required to review such list at least annually. He presented and reviewed with the Board the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto, together with a comparison of the list submitted and the list previously adopted by the Board, copies of which are attached hereto as **Exhibit I**. Mr. Reed further noted that the broker list presented is a list of potential institutions with which the District may engage in investment transactions compiled with the input of the District's Investment Officer, but it is ultimately the Board's decision as to where the District's funds are actually placed. After discussion, Director Welch moved that: (i) the attached Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board and the District, and (ii) that the President and Secretary be authorized to execute same. Director Porter seconded said motion, which unanimously carried.

Mr. Fletcher exited the meeting at this time.

## **ESTIMATE OF VALUE OF PROPERTY IN THE DISTRICT**

Ms. Shelton next recommended that a current estimate of value as of January 1, 2016, be requested from the Harris County Appraisal District and the Fort Bend Central Appraisal District in connection with preparing the necessary documentation related to her analysis of the District's next bond financing (Bond Issue No. 7). After discussion, it was moved by Director Welch,

seconded by Director Schnick and unanimously carried, that the Resolutions to the Harris County Appraisal District and to the Fort Bend Central Appraisal District Requesting Appraisal of Property as of January 1, 2016, both of which are attached hereto as **Exhibit J**, be adopted by the Board and the District, and that the President be authorized to execute same on behalf of the Board and the District.

### **OPERATOR'S REPORT**

Ms. Falke presented to and reviewed with the Board the Operator's Report dated January 25, 2016, a copy of which is attached hereto as **Exhibit K**.

Ms. Falke noted there are 107 customer accounts listed on the Delinquent Accounts Report this month, and requested the Board's authorization to write off and send to collections six (6) delinquent accounts totaling \$908.02. After discussion, Director Welch moved that EDP be authorized to write off and send to collection said delinquent accounts. Director Porter seconded said motion, which carried unanimously.

Ms. Falke advised that EDP will prepare the District's Water Loss Audit and submit same to the Texas Water Development Board before the May 1, 2016, deadline, as authorized by the Board of Directors last month.

### **CONSUMER CONFIDENCE REPORTS**

The Board considered authorizing EDP to provide required information to districts receiving water through an emergency interconnect relative to Consumer Confidence Reports. Mr. Reed explained that, pursuant to Consumer Confidence Report requirements promulgated by the United States Environmental Protection Agency, the District is required to provide by April 1, 2016, a report containing various information regarding the District's water supply to any other water supplier which has received water from the District through an interconnect during 2015. After discussion on the matter, it was moved by Director Welch, seconded by Director Porter and unanimously carried that EDP be authorized to provide the required information as set forth hereinabove.

### **AMENDMENT OF THE DISTRICT'S RATE ORDER**

The Board considered amending the Rate Order to adjust the rates charged to apartment customers for water and sanitary sewer services. In connection therewith, Ms. Falke presented the Rate Order Recommendations prepared by EDP, a copy of which is attached hereto as **Exhibit L**. Following further discussion, it was moved by Director Welch, seconded by Director Porter and unanimously carried that the District's Rate Order be amended to: (i) decrease the rate for water service to apartment customers from a minimum monthly charge of \$18.00 for up to 5,000 gallons of water metered to a minimum monthly charge of \$9.00 for up to 2,500 gallons of water metered, and a rate of \$2.00 for each 1,000 gallons of water metered over 2,500 gallons, and (ii) decrease the monthly flat rate for sanitary sewer service to apartment customers from \$20.00 to \$10.00, and that any and all rate orders theretofore adopted by the Board be revoked and that the amended Rate Order, a copy of which is attached hereto as **Exhibit M**, be passed and adopted as of this date, to be effective as of February 1, 2016.

## **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 that he had reviewed two (2) recent invoices for payment from Seaback. He reported that in review of said invoices, he noted and corrected a few errors before forwarding the invoices to the District's Bookkeeper for payment.

In connection with the eroding and poor condition of a certain detention pond located on Mr. Moore's property within the District and an overture made by Mr. Laseter, on behalf of the District, to Harris County to consider entering into an interlocal agreement to maintain said pond, Mr. Laseter reported that he has learned that Harris County mows the land around said pond; however, Harris County is not regularly maintaining the pond nor its storm water quality feature. He also reported that Harris county is interested in transferring to the District the responsibility for maintaining said pond and storm water quality feature. Following further discussion, the Board requested that Mr. Laster prepare a list of maintenance and repairs (essentially, a "punch list") for said pond for the Board's review and consideration next month because the Board is amenable to taking over maintenance of said pond and the storm water quality feature but only if the county first makes said repairs and maintenance as the District would require from a developer in accepting a conveyance of facilities.

## **ENGINEER'S REPORT**

Mr. Laseter presented and reviewed with the Board the written Engineer's Report dated January 25, 2016, a copy of which is attached hereto as **Exhibit N**, and discussed the status of various projects within the District.

Mr. Reed reported to the Board that, as of January 1, 2016, recently enacted House Bill 1295 will apply to all District contracts that require Board approval or have a total value of \$1,000,000 or more. He further explained that, pursuant to the bill, the District may not enter into a contract with a business entity unless that entity has (i) filed a Texas Ethics Commission ("TEC") Form 1295 and (ii) supplied a signed copy of same and a Certification of Filing from the TEC to the District. Ms. Falke queried Mr. Reed regarding EDP's purchase of chemicals for District facilities and whether or not a TEC Form 1295 would apply to such purchases. Mr. Reed advised that SPH will review the District's contract with EDP for further discussion at next month's meeting.

In connection with the Water Distribution, Sanitary Sewer, Storm Drainage and Pavement Improvements to serve I-10 Bella Terra, Phase III, Mr. Laseter advised that I-10/Katy, Ltd. ("I-10/Katy") and Dolce at Bella Terra, LLC ("Dolce") are ready to proceed with the design of facilities to serve I-10 Bella Terra, Phase III, and requested that the Board concur in their authorization of Van De Wiele to begin the design of such project. After discussion, Director Welch moved that the Board concur in said developers' authorization of Van De Wiele to begin the design of such project. Director Schnick seconded said motion, which carried unanimously.

In connection with the Water Distribution, Sanitary Sewer, Storm Drainage Improvements to serve I-10 Bella Terra, Phase II, Mr. Laseter advised that bids were received on

January 22, 2016, and noted that the low bid was submitted by C.E.S. Utilities in the amount of \$169,310.00 to complete the project within 30 calendar days. Mr. Laseter further reported that the second low bid was submitted by Lischka Utilities, LLC ("Lischka") in the amount of \$171,300.00 to complete the project within 20 calendar days. A bid tabulation of all proposals received is attached to the Engineer's Report. Mr. Laseter next advised that Van De Wiele recommends that the Board award the construction contract to Lischka if the references for C.E.S. Utilities turn out to be negative, noting that the District has a good history with Lischka concerning the previous construction of other District facilities. Following discussion, Director Welch moved that the Board concur in the award of the construction contract to C.E.S. Utilities, the first low bidder, subject to Mr. Laseter's contacting of its references and if the references turn out to be negative, to award the construction contract to Lischka, the second low bidder.. Director Schnick seconded said motion which carried unanimously.

In connection with the Water Distribution, Sanitary Sewer, Drainage and Detention Improvements to serve the I-10 Bella Terra subdivision Phase I, Mr. Laseter presented Pay Application No. 7 in the amount of \$33,039.18, a copy of which is attached to the Engineer's Report. Mr. Laseter advised that said payment is to be split between Dolce and I-10/Katy, as reflected in the Engineer's Report, and reported Dolce's payment is \$16,519.59 and I-10/Katy's payment is \$16,519.59. Mr. Laseter then recommended that the Board concur in the payment of said Pay Application No. 7 to Cruz Tec, Inc. by I-10/Katy and Dolce. After discussion, Director Welch moved that the Board so concur in the developers' payment of Pay Application No. 7 in the total amount of \$33,039.18 as recommended by the District's Engineer. Director Schnick seconded said motion, which carried unanimously.

In connection with the construction of Water Distribution, Sanitary Sewer, and Drainage Improvements to serve Moore Heights Subdivision, Mr. Laseter advised that construction of said facilities is now complete and an inspection is scheduled to take place on February 8, 2016.

In connection with the status of communications with representatives of the West Harris County Regional Water Authority ("WHCRWA") regarding its desire to acquire Surface Water Transmission Line Easements from the District and certain landowners within the District for the construction of a 60-inch surface water transmission line, Mr. Laseter advised that he has not received further communication from the WHCRWA after contacting it to discuss the District's concerns.

In connection with the status of communications with representatives of the North Fort Bend Water Authority ("NFBWA") regarding its desire to acquire Water Line Easements across five (5) parcels owned by the District, Mr. Laseter advised that he has not received a response from the NFBWA at this time.

### **DEVELOPERS' REPORTS**

The Board next considered the Developers' Reports. In connection therewith, Mr. Baker provided an update regarding Phases II and III of his commercial projects and noted that construction of a Floor & Decor store will begin next month.

In connection with the development of the Moore Heights Subdivision, Mr. Moore reported construction of the Moore Heights Apartments project is underway by Oden Hughes, LLC.

### **UTILITY COMMITMENTS**

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

### **RENEWAL OF DISTRICT INSURANCE POLICIES**

The Board next considered the renewal of the District's general liability, umbrella liability, property, boiler and machinery, director and officer liability, and pollution liability insurance coverage scheduled to expire March 31, 2016. In that regard, the Board discussed the renewal proposal received from the District's current insurance carrier, AquaSurance, L.L.C. ("Aqua"). After discussion on the matter, the Board deferred any action until next month.

### **REQUEST FOR FINANCIAL ASSISTANCE BY THE GRAND HARBOR HOME OWNERS' ASSOCIATION ("HOA")**

Regarding the HOA's request for financial assistance from the District in connection with the repair and improvement of park and recreational facilities and other common areas within the District, Mr. Reed reported that he spoke with Frank Anzalotti of the HOA Board of Directors and that SPH has agreed to send Mr. Anzalotti a copy of the proposed Recreational Facilities and Security Improvements Funding and Maintenance Agreement between the District and the HOA for the HOA's review. Mr. Reed further noted that he informed Mr. Anzalotti of the Board's request to receive a detailed list of HOA facilities in need of repair and the estimate costs of making said repairs.

### **PROPOSED MASTER PARKS PLAN**

Mr. Reed advised that SPH has received a draft of a Landscape Architectural Services Agreement between the District and Talley Landscape Architects, Inc. ("Talley") regarding the design of a Master Parks Plan for the District. He then reminded the Board of its prior approval at the December 8, 2015, Board meeting of Talley's proposal subject to SPH's review of the Agreement. Mr. Reed noted that SPH will expedite its review of such Agreement.

### **WHCRWA'S 2016 DIRECTOR APPOINTMENT AND 2015 WATER USAGE FORM**

Mr. Reed next presented and reviewed with the Board a memorandum from the WHCRWA regarding the 2016 appointment process for the Board of Directors of the WHCRWA, a copy of which is attached hereto as **Exhibit O**, and advised that the Board can nominate one person to the Board of Directors of the WHCRWA to fill the Precinct No. 3 Director position. After discussion, the Board elected not to nominate a candidate to serve on the Board of Directors of the WHCRWA.

Mr. Reed then reported that the 2015 Water Usage Reporting Form (the "Form") was sent to EDP and recommended the Board authorize EDP to complete and submit the Form to the

appropriate entities prior to March 1, 2016. After discussion, it was moved by Director Welch, seconded by Director Porter and unanimously carried, that the Board authorize EDP to complete and submit the Form to the appropriate entities prior to March 1, 2016.

### **RATIFICATION OF PRIOR BOARD ACTION**

In connection with the District's Interlocal Agreement for Law Enforcement Services ("Interlocal Agreement") with Harris County, Mr. Reed advised that SPH consulted with Director Welch between meetings to accept a renewal Interlocal Agreement with Harris County, a copy of which is attached hereto as **Exhibit P**. Mr. Reed noted that the price of services did not change from the previous Interlocal Agreement accepted by the Board last year. Following discussion, Director Porter moved that the prior action regarding the acceptance of a renewal Interlocal Agreement be ratified and authorized in all respects. Director Schnick seconded said motion, which unanimously carried.

### **EMINENT DOMAIN REPORT PURSUANT TO SENATE BILL 1812**

Mr. Reed informed the Board that, pursuant to recently enacted Senate Bill 1812, all political subdivisions with the power of eminent domain, including the District, are now required to file an annual eminent domain report by February 1 of each year with the Texas Comptroller of Public Accounts (the "Comptroller"). He explained that the report will contain the District's contact information as well as information related to the District's ability to exercise the power of eminent domain. After discussion, it was moved by Director Welch, seconded by Director Porter and unanimously carried, that the Board authorize SPH to file the annual eminent domain report with the Comptroller on behalf of the District.

### **ATTORNEY'S REPORT**

The Board next considered the attorney's report. Ms. Shelton advised the Board that, effective January 22, 2016, the District's financial advisory company, First Southwest Company, LLC (First Southwest"), will merge with and into Hilltop Securities, Inc. ("Hilltop"), with the surviving entity being Hilltop. Mr. Reed noted that more information will be available to the Board regarding such merger next month.

Ms. Grimes requested that the Board consider an amendment to the Agreement for Bookkeeping Services by and between the District and MAC at next month's meeting. The Board concurred to add an item to the agenda for next month's Board meeting regarding same.

### **DIRECTORS ELECTION**

The Board considered the calling of a Directors Election in accordance with the requirements of the Texas Water Code. There was presented the Order Calling Directors Election (the "Order") attached hereto as **Exhibit Q** calling such election to be held on May 7, 2016. It was noted that the terms of office of Directors Schnick and Witt expire in May of this year. In reviewing the Order with the Board, Mr. Reed advised that the Texas Water Code and the Texas Election Code authorize the Board to designate an agent to perform certain duties in connection with the Directors Election, and that the Order named Shauna Weise as such agent (the "Election Agent"). Mr. Reed further advised the Board that notice of the Directors Election

must be given in accordance with the requirements of the Texas Election Code. He advised the Board that notice of the Directors Election could be given by one or more of the following methods: (i) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before the election; (ii) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (iii) mailing the notice to each registered voter in the District at least ten (10) days before the election. Following discussion of the options, the Board concurred that notice of the Directors Election be given by posting same at the locations where notice of meetings of the Board are posted, as such posting meets all legal requirements under the Texas Election Code. After discussion on the matter, Director Schnick moved that said Order be passed and adopted subject to any changes required should polling locations be changed, that the President and Secretary be authorized to execute the Order, and that the Election Agent be authorized and directed to make necessary arrangements for the Directors Election in accordance with the Order. Director Witt seconded said motion, which unanimously carried. Mr. Reed advised the Board that if each candidate whose name is to appear on the ballot is unopposed as of 5:00 p.m. on February 23, 2016, the Board may thereafter cancel the Directors Election in accordance with the Texas Election Code.

The Board considered the establishment of fees to be paid to officials for the Directors Election. Mr. Reed advised the Board that in accordance with the Texas Election Code, the rate of pay for judges and clerks shall be determined by the Board, but shall not be less than the federal minimum wage rate. After discussion on the matter, Director Welch moved that the judges and clerks for the Directors Election, including early voting clerks, be paid \$10.00 per hour. Director Porter seconded said motion, which unanimously carried.

### **REVIEW OF DISTRICT CONSULTANTS' CONTRACTS**

The Board deferred discussion regarding review of the District's consultants' contracts.

### **ADJOURNMENT**

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

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Secretary

## **LIST OF EXHIBITS**

Exhibit A	Tax Assessor/Collector's Report
Exhibit B	Delinquent Tax Report
Exhibit C	Resolution Authorizing an Additional Penalty on Delinquent Personal Property Taxes
Exhibit D	Resolution Concerning Exemptions From Taxation
Exhibit E	Supplemental Independent Accountant Report
Exhibit F	Correspondence from O.N. Baker dated January 25, 2016
Exhibit G	Sales Tax Reports
Exhibit H	Bookkeeper's Report
Exhibit I	Resolution Adopting List of Qualified Brokers
Exhibit J	Resolutions Requesting Appraisal of Property
Exhibit K	Operator's Report
Exhibit L	Rate Order Recommendations
Exhibit M	Rate Order
Exhibit N	Engineer's Report
Exhibit O	Memorandum from the West Harris County Regional Water Authority dated December 28, 2015
Exhibit P	Interlocal Agreement for Law Enforcement Services
Exhibit Q	Order Calling Directors Election