

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
January 15, 2014

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

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The Board of Directors (the "Board") of Harris County Municipal Utility District No. 153 (the "District") met in regular session, open to the public at offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Wednesday, January 15, 2014, whereupon the roll was called of the members of the Board, to-wit:

Sam Claytor, Jr., President
Rick Soliz, Vice President
William Clarey, Secretary
Alan Waters, Treasurer
Ed Cocetti, Assistant Secretary

All members of the Board were present, except Director Waters. Also attending all or portions of the meeting were Mr. Gary Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Matt Froehlich and Mr. Sam Zabaneh of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Cory Burton of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Ms. Michelle Guerrero of Bob Leared Interests, tax assessor-collector for the District; Ms. Linda Loup of Southwest Securities, financial advisor for the District; and Mr. Neil Thomas and Ms. Yvette Deitrick of Fulbright & Jaworski LLP ("F&J"), a member of Norton Rose Fulbright, attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes of the meeting of December 18, 2013.** Minutes of the meeting of December 18, 2013, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Clarey, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve such minutes, as presented.

2. **Public Comments.** There were no public comments.

3. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor-Collector's Report for December, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that 72.5% of the District's 2013 taxes had been collected as of December 31, 2013.

Ms. Guerrero presented the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit

"C." Ms. Guerrero noted that Perdue did not request any actions by the Board.

Upon motion by Director Clarey, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to approve the Delinquent Tax Report.

4. Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "D." Mr. Thomas reported that collection of delinquent personal property taxes would begin on April 1 if approved by the Board. He reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

Upon motion by Director Clarey, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution.

5. Authorize contract with delinquent tax attorney to enforce the collection of delinquent taxes. Mr. Thomas reported that the District's current delinquent tax attorney, Perdue, currently has an evergreen contract with the District that will automatically renew unless cancelled by the District.

6. Consider property tax exemptions. The President recognized Ms. Guerrero, who reported that last year the Board granted \$5,000 homestead property tax exemptions for owners who are 65 or older or who are disabled. Mr. Thomas presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who Are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "E."

Upon motion by Director Cocetti, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to grant \$5,000 homestead property tax exemptions for those who are 65 years of age or older or who are disabled.

7. Bookkeeper's Report, Investment Report, payment of bills and take any necessary action. Mr. Burton presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "F." Mr. Burton reported that check #5541 to the United States Treasury is for the quarterly payroll tax. He reported that check #5563 to the Texas Commission on Environmental Quality is for the annual regulatory assessment fee.

Director Soliz joined the meeting.

Upon review of the Account Balances, Mr. Burton reported that the recently received tax revenue will be invested to obtain a competitive interest rate and maintain diversification.

Upon motion by Director Clarey, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and to authorize payment of the checks listed therein.

8. **Developer's Report.** Mr. Froehlich reported on development in Bridges at Lake Houston. He reported that the contractor is paving the streets in Section One and the entry road. Mr. Froehlich reported that utilities construction in Section Two is near completion.

Mr. Froehlich reported that the Harris County Municipal Utility District No. 494 ("MUD 494") engineer expects MUD 494 to begin use of the 150 connections provided by the District, in March of 2014 and to use all of the 150 connections by March of 2015. Mr. Thomas stated that MUD 494 is required to pay the District before making taps to the District's water distribution system. Mr. Hastings stated that he would instruct the MOC tapping department of this requirement.

Mr. Froehlich reported that two home sales closed in Waterhaven, for a total of 72 home sales in Waterhaven since inception.

Mr. Froehlich reported that F&J sent a letter to Academy Development outlining the documents and requirements for annexation of approximately 83 acres. He reported that BGE will proceed with the document preparation upon receipt of the annexation deposit.

9. **Engineer's Report, including review of Engineer's projects, and capital repairs.** Mr. Froehlich presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Froehlich provided an update on the connection count computation. He reported that the District can provide water for 3,790 equivalent single family connections ("ESFC") based on the recent water well test, and wastewater treatment for 5,250 ESFC. Mr. Froehlich reported that the District currently serves 2,906 ESFC.

Mr. Froehlich reported that BGE is updating the costs for the future phases on the District's Capital Improvement Plan.

Mr. Froehlich reported that the Texas Commission on Environmental Quality ("TCEQ") is requiring that all retail public water suppliers prepare and adopt an updated Drought Contingency Plan ("DCP") and Water Conservation Plan ("WCP") by May 1, 2014. He reported that the District is required to submit the WCP to the TCEQ with a Water Conservation Implementation Report. Mr. Froehlich requested Board authorization to update the District's DCP and WCP, and to prepare a Water Conservation Implementation Report.

Mr. Froehlich reported on the District's bond application. He reported that the Board previously approved the inclusion of the shared facilities with Harris County Municipal Utility District No. 494 ("MUD 494"), the Waterhaven reimbursement, and replacement of one ground storage tank for an estimated bond issuance of \$7,445,000 and an approximate tax rate of tax rate of \$0.486, based on Ms. Loup's calculations. Mr. Froehlich reported that the original cost estimates were from approximately five years ago. He reported that BGE updated the cost estimates for the projects for the bond application. Mr. Froehlich reported that Ms. Loup updated the tax rate calculations based on the Harris County Appraisal District November 1, 2013, assessed valuation for the District which is an approximate increase of \$17,000,000 from the assessed valuation used for the previous calculations. He reported that \$600,000 from the Operating Fund is included in Ms. Loup's calculations, a copy of which is attached hereto as Exhibit "H." Mr. Froehlich reviewed with the Board the District's financial advisor's calculations for the new cost estimates for two scenarios (1) the shared facilities with MUD 494 and the Waterhaven reimbursement, and (2) the shared facilities with MUD 494, the Waterhaven

reimbursement, and replacement of one ground storage tank. He reported that the bond issuance amount for the scenario without the ground storage tank would be \$8,290,000 with a projected tax rate of \$0.4753. Mr. Froehlich reported that the projected tax rate for the scenario with the shared facilities with MUD 494, the Waterhaven reimbursement, and replacement of one ground storage tank is \$0.4808 for a bond issuance of \$9,055,000. Mr. Froehlich reported that Ms. Loup's calculations includes a \$0.02 per \$100 valuation operating and maintenance tax rate. Mr. Froehlich reviewed with the Board the estimated cash flow table and chart for the District's share in the shared projects and the Water Plant No. 1 ground storage tank replacement, included in the Engineer's Report. Mr. Froehlich stated that the District will require funds from the participants before beginning construction. Mr. Hastings confirmed that the District requires four ground storage tanks during peak demand. Director Cocetti noted that the AJOB Wastewater Treatment Plant has excessive capacity due to poor projections and he would like to avoid a similar situation with Water Plant No. 2. Mr. Zabaneh noted that the AJOB Wastewater Treatment Plant involved seven municipal utility districts and that the projections were made before the participants rehabilitated their sanitary sewer systems, which significantly reduced wastewater treatment demand. Director Cocetti discussed the potential for MUD 494 development to not proceed as expected. Mr. Thomas stated that MUD 494 will have to pay its share of the construction costs before construction begins.

Mr. Froehlich reported that the Water Plant No. 2 plans have been signed by the City of Houston and are currently at Harris County for approval signatures.

Mr. Froehlich reported that the Lift Station No. 4 plans will be sent to the City of Houston for signature this week and that BGE will subsequently submit the plans to Harris County.

Mr. Froehlich reported that the plans for improvements to the shared lift station with Harris County Municipal Utility District No. 152 ("MUD 152") have been signed by Harris County.

Mr. Froehlich reported that the Offsite Water and Sewer Facilities plans will be sent to the City of Houston for signature next week and that BGE will subsequently submit the plans to Harris County.

Upon motion by Director Clarey, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, and to authorize BGE to update the District's DCP and WCP, and to prepare a Water Conservation Implementation Report.

10. Consideration of bond application, annexation, and service agreement with Harris County Municipal Utility District No. 494 and any necessary action. This item was covered under the Engineer's Report.

11. Order authorizing application for expedited consideration of approval by Texas Commission on Environmental Quality of project and issuance of bonds and waiver of certain Commission rules. Mr. Thomas presented to and reviewed with the Board the Order Authorizing the Application (the "Order"), and the Application for Expedited Consideration of Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds (the "Application"), a copy of which is attached hereto as Exhibit "I."

Upon motion by Director Cocetti, seconded by Director Clarey, after full

discussion and the question being put to the Board, the Board voted unanimously to approve the Order and Application for a bond issuance of \$9,055,000, and to approve waiver of the limit of two years interest to the Waterhaven developer.

12. **Atascocita Joint Operations Board report.** Director Clarey reported that AJOB has not met since the last Board meeting.

13. **Authorize publication of notice of exemption from use of electronic voting system and appointment of agent.** Mr. Thomas presented to and reviewed with the Board the Resolution Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System for the 2014 Directors Election, a copy of which is attached hereto as Exhibit "J." Mr. Thomas reported that due to new legislation the District is permitted to hold a directors election without use of an electronic voting machine if the previous election was canceled because the candidates were unopposed or if fewer than 250 voters voted in the most recently held election. Mr. Thomas stated that publication of the notice of exemption from use of electronic voting system in a newspaper is required to comply with the new statute. He reported that not using electronic voting machines will eliminate the need for voting machine training for the election judge.

Mr. Thomas presented to and reviewed with the Board the Appointment of Agent for the 2014 Directors Election, a copy of which is attached hereto as Exhibit "K." He reported that the Appointment of Agent designates Yvette Deitrick of F&J as the Secretary's agent to perform ministerial duties as specified in Election Code 31.123 for the 2014 Directors Election.

Upon motion by Director Cocetti, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System for the 2014 Directors Election, and Appointment of Agent for the 2014 Directors Election.

14. **Operator's Report and hearing on delinquent accounts.** Mr. Hastings presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "L."

Mr. Hastings reviewed the Termination List and Write-Off List, included in the Operations Report.

Mr. Hastings reported that a sinkhole at 18610 Walden Glen Circle was determined to be caused by the storm sewer. He reported MOC contacted Harris County to repair the sinkhole; which has been completed by Harris County.

Upon motion by Director Clarey, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, to terminate the delinquent accounts in accordance with the District's rate order, and to authorize MOC to transfer the accounts on the Write-Off List to the Uncollectible Roll.

15. **Other matters.** No action was taken on this item.

16. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on February 19, 2014 at 11:30 a.m. at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas 77010.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on February 19, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

