

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
March 27, 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 special session, open to the public at offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Thursday, March 27, 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 Claytor. Also attending all or portions of the meeting were Mr. Mike Williams 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. Annette Stephens of Allen Boone Humphries Robinson LLP, attorney for Pointe Walden, LLC; Ms. Julia McCain of McCall Gibson Swedlund and Barfoot, PLLC ("McCall"), auditors for the District; Ms. Cheryl Allen of Public Finance Group, LLC; Mr. Mike Moore of Kimley-Horn and Associates, Inc., engineer for Harris County Municipal Utility District No. 494; 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 February 19, 2014.** Minutes of the meeting of February 19, 2014, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Cocetti, seconded by Director Waters, 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. **Engage auditor for fiscal years ending March 31, 2014 and March 31, 2015.** Ms. McCain presented to and reviewed with the Board an engagement letter for fiscal years ending March 31, 2014 and March 31, 2015, a copy of which is attached hereto as Exhibit "B." Ms. McCain requested that the Board engage the services of McCall to prepare the District's

annual audit for fiscal years ending March 31, 2014 and March 31, 2015, at an estimated cost of \$14,000 to \$16,000.

Director Soliz joined the meeting.

Upon motion by Director Waters, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to engage the services of McCall to prepare the District's audit for fiscal years ending March 31, 2014 and March 31, 2015, and to authorize the execution of the engagement letter.

4. Dismissal of Southwest Securities as Financial Advisor. Ms. Allen reported that she and Ms. Loup resigned from Southwest Securities, Inc. to form Public Finance Group LLC ("PFG"). Ms. Allen reviewed with the Board a Financial Advisory contract with PFG, a copy of which is attached hereto as Exhibit "C." It was noted that the previous contract with Southwest Securities requires notice of termination be given 30 days before dismissal. The Board directed F&J to prepare and send such notice to Southwest Securities. Ms. Allen noted that the proposed contract indemnifies the District for any claims by Southwest Securities related to financial advisory fees for the District's Series 2014 Bonds.

Upon motion by Director Waters, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to dismiss Southwest Securities as Financial Advisor to the District, and to engage Public Finance Group, LLC as Financial Advisor.

5. Engagement of Public Finance Group LLC as Financial Advisor. This item was covered under Dismissal of Southwest Securities as Financial Advisor.

6. 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 February, a copy of which is attached hereto as Exhibit "D." Ms. Guerrero reported that 96.3% of the District's 2013 taxes had been collected as of February 28, 2014.

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

7. Discuss and approve Depository Pledge Agreement with Wells Fargo Bank. Ms. Guerrero reported that Comerica Bank has instituted fees for the District's deposits. She reported that Wells Fargo Bank has stated that it will not assess fees for municipal utility district tax accounts. Ms. Guerrero requested Board authorization to transfer its tax account from Comerica Bank to Wells Fargo Bank and to approve execution of the Depository Pledge Agreement with Wells Fargo Bank.

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 authorize the transfer of the District's tax account from Comerica Bank to Wells Fargo Bank and to authorize execution of the Depository Pledge Agreement with Wells Fargo Bank.

8. 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 "E." He reported that the March 1, 2014, debt payment was paid.

Mr. Burton reviewed with the Board the draft Operating Budget for fiscal year ending March 31, 2015, included in the Bookkeeper's Report.

Upon motion by Director Waters, 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, to authorize payment of the checks listed therein, and to adopt the budget for the fiscal year ending March 31, 2015.

9. **Adopt budget for fiscal year ending March 31, 2015.** This item was covered under the Bookkeeper's Report.

10. **Developer's Report.** Mr. Froehlich reported on development in Bridges at Lake Houston. He reported that street paving and utilities construction is progressing. Mr. Moore reported that progress is delayed because Harris County must be a party to the agreement with the Union Pacific Railroad which is required for the bridge construction. He reported that bridge construction and the entry road are about 80% complete. Mr. Moore reported that the utilities construction and street paving in Sections One and Two are near completion. He reported that the contractor is constructing the lift station. Mr. Moore estimated that model home construction will begin in May 2014.

Mr. Froehlich reported that two home sales closed in Waterhaven, for a total of 77 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 Academy's engineer, R.G. Miller, contacted him regarding utility tie-ins and the annexation. Mr. Froehlich reported that he notified the engineer that the District is awaiting a response from Academy regarding the annexation. He reported that BGE will proceed with the document preparation upon receipt of the annexation deposit.

Mr. Froehlich reported that Daniel Mayo of Rosewood Funeral Home contacted him regarding the status of Water Plant No. 2 and offsite facilities construction. Mr. Froehlich reported that he had provided an update to Mr. Mayo.

11. **Reimbursement Agreement for Pointe Walden LLC.** Mr. Froehlich reported that he had provided the capacity commitment to Mr. Heckel for the 11.5 acre tract south of Walden Country Club for development of 44 single family homes. Ms. Stephens reported that Mr. Heckel has applied for a replat of the tract. Ms. Stephens reported that due to the small size of the tract, the standard requirement for the assessed valuation of the tract achieve a ten to one debt ratio for the cost of the bonds issued to finance the facilities is not feasible because of the District's low tax rate. Ms. Stephens suggested a performance benchmark, such as 25% developed and 50% of rooftops constructed prior to reimbursement for facilities. Ms. Stephens reported that the water, sanitary sewer and drainage facilities construction is expected to cost about \$800,000. Mr. Thomas stated that a reimbursement agreement could have a maximum of \$800,000 and certain performance benchmarks. Mr. Thomas stated that he wanted Mr. Froehlich to review the construction cost estimates for the tract to determine the appropriate maximum reimbursement. Mr. Zabaneh reported that 11 lots in the tract are located within the

City of Houston and not within the District. Mr. Thomas stated that the District will only reimburse for facilities located within the District.

Upon motion by Director Waters, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve proceeding with the preparation of a reimbursement agreement for the 11.5 acre tract.

12. 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 "F."

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 2,921 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 BGE confirmed with the Texas Commission on Environmental Quality ("TCEQ") that the District is not required to submit its Drought Contingency Plan ("DCP") to the TCEQ. Mr. Froehlich noted that the District is required to review its DCP every five years and must document such review. He suggested the addition of a voluntary Stage 1 to the District's DCP so that it more closely match the City of Houston's and several neighboring utility districts' DCPs.

Mr. Froehlich requested Board authorization for the execution and submittal of the Stormwater Quality Permit renewal application for Waterhaven, included in the Engineer's Report.

Mr. Froehlich reported that BGE inspected the District's two ground storage tanks and is preparing the reports. He reported that the District's three hydropneumatic tanks are scheduled for inspection in July.

Mr. Froehlich reported that BGE is completing revisions to the Bond Issue Report and expects to submit the report to the TCEQ early next week.

Mr. Froehlich reported that BGE is addressing additional comments from Harris County for the Water Plant No. 2 plans.

Mr. Froehlich reported that BGE is addressing additional comments from Harris County for the Offsite Water and Sewer Facilities plans. Mr. Froehlich reported that advertisement for bids is expected to be in May with award of the construction at the June Board meeting, and the Notice to Proceed issued in July.

Mr. Froehlich reported on Atascocita Joint Operations Board report. He reported that contracts are being signed for the replacement of the non-potable water pump system and installation of a baffle plate at the outfall structure at the Regional Wastewater Treatment Plant. Director Clarey reported that the District will receive a refund of approximately \$15,000.

Upon motion by Director Waters, seconded by Director Soliz, after full discussion

and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to authorize execution and submittal of the Stormwater Quality Permit renewal application for Waterhaven, and to authorize BGE to submit the bond application report to the TCEQ.

13. **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.

14. **Atascocita Joint Operations Board report.** This item was covered under the Engineer's Report.

15. **Order Declaring Unopposed Candidates Elected to Office.** Mr. Thomas stated that all candidates were unopposed and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "G." 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 such Order, thereby canceling the 2014 Directors Election and declaring the unopposed candidates, Directors Soliz and Waters, elected to office.

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

Mr. Williams reviewed the Termination List and Write-Off List, included in the Operations Report. Mr. Williams reported that MOC is reviewing modifications to Red Flag Policies to improve collection of delinquent accounts.

Mr. Williams reported that distribution of the District's annual Quality Drinking Water Report is approaching. Mr. Williams reported that he would provide information to Mr. Thomas regarding electronic distribution of the District's Quality Drinking Water Report which will eliminate printing and postage costs.

Mr. Thomas reviewed with the Board the Association of Water Board Directors Memo requesting District authorization for operators to provide operating data, a copy of which is attached hereto as Exhibit "I." The Board discussed the amount of requested information. It was the consensus of the Board not to participate in the Goldwater Project at this time.

Upon motion by Director Waters, seconded by Director Cocetti, 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.


17. **Other matters.** Mr. Froehlich reported on a discussion with Gary Hastings of Acclaim Energy Advisors regarding various generator-related programs for utilities districts. Mr. Zabaneh noted that the District's emergency generators may lose the exemption from any future carbon tax if the generators are used as part of these programs. Mr. Froehlich noted that there may be upfront costs of approximately \$4,000 to \$5,000 for modifications to the facilities.

18. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on April 16, 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 April 16, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

