

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
June 18, 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, June 18, 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. Mike Williams and Mr. Gary Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operators 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; Mr. Brian Toldan of McCall, Gibson, Swedlund, Barfoot, PLLC, auditor 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 May 21, 2014.** Minutes of the meeting of May 21, 2014, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.

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

3. **GenMax Solution presentation by Acclaim Energy Advisors and any necessary action.** The Board discussed the possible advantages and disadvantages of the GenMax Program presented at the last Board meeting by Acclaim Energy Advisors. It was the consensus of the Board that there was no interest in proceeding with the GenMax Program. No action was taken on this item.

4. **Approve audit for fiscal year ending March 31, 2014.** The President recognized Mr. Toldan, who presented to and reviewed with the Board a draft of the audit for the

District for fiscal year ending March 31, 2014, a copy of which is attached hereto as Exhibit "B." Mr. Toldan noted that the District has a twelve-month reserve for operating expenses. He noted that the District has a thirteen-month reserve for debt service.

Mr. Toldan presented to and reviewed with the Board the management letter noting material weaknesses in the District's internal controls over financial reporting, which is substantially the same as the material weakness letter received by other districts, a copy of which is attached hereto as Exhibit "C." He noted that the management letter includes a draft response by the Board which is substantially the same as the previous year.

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 draft of the audit for the District for fiscal year ending March 31, 2014, and to approve the Board's response in the management letter.

5. 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 May, a copy of which is attached hereto as Exhibit "D." Ms. Guerrero reported that 98% of the District's 2013 taxes had been collected as of May 31, 2014.

Ms. Guerrero reported that the Harris County Appraisal District provided a 2014 preliminary taxable value for the District of \$519,542,272, which is approximately 10% greater than the 2013 taxable value. Ms. Guerrero reported that the certified tax roll is usually a little less than the preliminary valuation due to appeals.

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 and to authorize the expenditures listed therein.

6. 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." Mr. Burton reported that check no. 5770 to the City of Houston will be voided because BGE is issuing the annexation fee. Mr. Burton reported that the payment by Harris County Municipal Utility District No. 494 ("MUD 494") for 72 connections was transferred to the Capital Projects Fund. Mr. Burton reported receipt of a \$30,000 tap fee from the Church of Christ.

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.

7. Developer's Report. Mr. Froehlich reported that the developer in MUD 494 expects to begin model home construction in the near future. He reported that the bridge construction to the Bridges at Lake Houston is not complete.

Mr. Froehlich reported that there is only one vacant lot remaining in Waterhaven.

Mr. Froehlich reported that F&J received the required annexation documents from Academy Development. He reported that BGE prepared the consent application for submittal to the City of Houston.

Mr. Froehlich reported on Pointe Walden. He reported that the developer is working on resident acceptance of the proposed development within the community, but that the development is currently on hold. Mr. Froehlich reported that the developer's engineer does not believe that a lift station will be required and that the developer does not want a lift station.

8. 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 reported that the Texas Commission on Environmental Quality ("TCEQ") declared the District's Bond Issue Report administratively complete. He reported that BGE is addressing TCEQ comments on the Bond Issue Report.

Mr. Froehlich reported that BGE and F&J held an informational meeting this morning for the developers to review the construction schedule and funding timing. Mr. Zabaneh stated that the construction contract will not be issued until all funds are received for the project.

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 2,928 ESFC.

Mr. Froehlich reported that Harris County Municipal Utility District No. 132 ("MUD 132") has a shared lift station with the District and Harris County Municipal Utility District No. 151 ("MUD 151"). He reported that MUD 132 plans to convert the shared lift station from the original dry pit configuration to a wet well configuration with submersible pumps. Mr. Froehlich reported that the updated configuration will result in moving the controls above ground and a more efficient, safer and easier facility to operate. He reported that the shared lift station agreement has participants pay a pro rata share for construction costs based on acreage served and that monthly operation and maintenance costs are allocated per equivalent single family connections. He reviewed the two cost allocation percentages included in the Engineer's Report. Mr. Froehlich estimated that the lift station renovations will cost \$1,100,000. He reported that BGE expects design to take six months.

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

Mr. Froehlich reported that the City of Houston renewed the Stormwater Quality Permit for Waterhaven.

Mr. Froehlich reported that the ground storage tank inspection reports were provided to MOC. He reported that the ground storage tank conditions are about the same as the last report. Mr. Froehlich recommended replacement of the bolted storage tank.

Mr. Froehlich reported that in June 2012 Team Services recommended annual monitoring with guided wave testing of the existing corrosion in waterlines at bridge locations in the District. He reported that Team Services provided a proposal to perform the guided wave evaluation in the amount of \$4,995. Mr. Froehlich requested Board approval of the Team Services proposal to perform the guided wave evaluation of the three waterline ditch crossings at bridges.

Mr. Froehlich reported on Atascocita Joint Operations Board report. He reported that Pay Application No. 1 and Final to Preventive Services in the amount of \$19,255 for the installation of a baffle plate at the outfall structure at the Regional Wastewater Treatment Plant was presented to AJOB.

Mr. Froehlich reported that All-Pump moved on-site to perform the upgrades to the non-potable water pump system at the Regional Wastewater Treatment Plant.

Mr. Thomas reviewed with the Board a Petition for Addition of Land executed by Merrylands Interests, Ltd. and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "G" and "H," respectively.

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 Engineer's Report; to approve the Team Services proposal in the amount of \$4,995 to perform the guided wave evaluation of the three waterline ditch crossings at bridges; and to accept the Petition for Addition of Land and approve the Petition for City Consent to the annexation.

9. Consider Team Services proposal for waterline erosion testing and any necessary action. This item was covered under the Engineer's Report.

10. Accept Petition for Addition of Land (Merrylands Interests) and Approve Petition for City Consent. This item was covered under the Engineer's Report.

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

12. 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 "I."

Mr. Williams reviewed the Termination List, included in the Operations Report.

Mr. Williams reported that MOC transferred the District's bank account from Amegy Bank to Compass Bank. He reported that Amegy Bank was charging fees. He reported that Compass Bank charges District customers \$1.00 for automated clearing house ("ACH") payment. He reported Amegy Bank charged District customers approximately \$0.08 for ACH payments. Mr. Williams reported that with Compass Bank, customer payments may be scanned and directly deposited for access by the District bookkeeper. Mr. Williams reported that MOC notified customers that use ACH for payments of the new fee with telephone notification and a flyer in the water bill.

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 Operator's Report, and to terminate the delinquent accounts in accordance with the District's rate order.

13. Report on Association of Water Board Directors Conference. Mr. Thomas reported that there is discussion of allowing brackish water control at the legislative level for deep water wells along the gulf coast. Director Clarey reported that the Xeriscaping seminar was informative. He reported that over-irrigation is the biggest issue for water conservation in

Harris County. Director Clarey reported that many of the trees and plants that died during the last drought was because of weak root systems from over-watering.

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

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

