

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
August 20, 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, August 20, 2014, whereupon the roll was called of the members of the Board, to-wit:

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

All members of the Board were present. Also attending all or portions of the meeting were Mr. Mike Williams and Mr. Gay Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operators for the District; Mr. Matt Froehlich and Mr. Jorge Bustamante 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 Public Finance Group, LLC, 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 July 16, 2014.** Minutes of the meeting of July 16, 2014, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Accept Resignation of Director Clarey.** 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 accept Director Clarey's resignation and to authorize purchase of a plaque for Director Clarey.

Director Soliz joined the meeting.

4. **Approve Order adopting and authorizing Official Notice of Sale and Bid form, authorizing distribution thereof and of a Preliminary Official Statement and**

authorizing publication of notice of sale. The President recognized Ms. Loup, who presented to and reviewed with the Board the Preliminary Official Statement ("POS"), Notice of Sale for the Unlimited Tax Bonds, Series 2014, and Projection of Income and Expenses, in the amount of \$9,055,000, a copy of which is attached hereto as Exhibit "B." Ms. Loup requested that the Board approve BOKF, NA dba Bank of Texas as the Paying Agent/Registrar for the Bonds.

Mr. Thomas stated that a developer reimbursement audit is required to enable the District to reimburse the developer with proceeds of the Bonds. He reviewed with the Board a proposal to prepare the developer reimbursement audit from McCall Gibson Swedlund Barfoot PLLC, a copy of which is attached hereto as Exhibit "C."

Mr. Thomas presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale for Unlimited Tax Bonds, Series 2014 ("Order"), a copy of which is attached hereto as Exhibit "D."

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 POS and Notice of Sale, to approve the Attorney General bond review fee, to engage McCall Gibson Swedlund Barfoot PLLC to prepare the developer reimbursement audit, to approve the Order and the printing and distribution of the offering documents, and to designate BOKF, NA dba Bank of Texas as the Paying Agent/Registrar for the Series 2014 Bonds.

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 July, a copy of which is attached hereto as Exhibit "E." Ms. Guerrero reported that 99% of the District's 2013 taxes had been collected as of July 31, 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.

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 "F."

Mr. Burton presented to and reviewed with the Board the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "G."

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 approve the Quarterly Investment Report.

7. Resolution adopting an amending cot of ethics, fees and expense policy, investment policy. Mr. Thomas presented to and reviewed with the Board the Resolution Adopting an Amended Code of Ethics, Fees and Expense Policy, Investment Policy, Policies and Procedures for Selection and Review of Consultants, Policies Concerning the Use of Management Information Including the Formation of An Audit Committee, Appointing Investment Officer, and Certain Other Matters ("Amended Ethics and Investment Policy"), a

copy of which is attached hereto as Exhibit "H." Mr. Thomas reported that the Amended Ethics and Investment Policy allows Directors to attend Texas Commission on Environmental Quality conferences outside of the Houston area without requiring Board approval. Mr. Thomas reported that the Board must review the District's investment policy annually. Mr. Thomas stated there are no recommended changes.

Upon motion by Director Soliz, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amended Ethics and Investment Policy.

8. Developer's Report. Mr. Froehlich reported on development in Bridges at Lake Houston. He reported that the contractor is clearing Sections Three and Four.

Mr. Froehlich reported that BGE addressed City of Houston comments on the Merrylands annexation application package.

Mr. Froehlich reviewed with the Board Mr. Ron Young's letter, attorney for Dr. Quentel and Dr. Manon, requesting an extension of the deadline for the financial surety, amendment of reimbursement agreement to allow for reimbursement for commercial development, instead of residential, and revision of the criteria of no increased tax rate to issue bonds to reimburse Dr. Quentel and Dr. Manon, a copy of which is included in the Engineer's Report. Mr. Thomas stated that extending the deadline for the financial surety until the September 17, 2014, Board meeting will not impact the facilities construction schedule. Mr. Thomas reported that for the small tracts, the assessed valuation will not be sufficient to meet the reimbursement criteria in the reimbursement agreements. He reported that the District previously allowed reimbursement based on the District assessed valuation for the golf course construction and reimbursement. Mr. Thomas reported that Mr. Emerson requested reduction in his financial surety by the amount of taxes paid since annexation of a tract that is not receiving utility service. Mr. Thomas reported that Dr. Manon and Dr. Quentel requested amendment of their reimbursement agreement to allow for commercial development. The Board discussed the landowner requests.

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 "I."

Mr. Froehlich reported that the Texas Commission on Environmental Quality ("TCEQ") expects to issue the draft staff memorandum for the District's Series 2014 Bonds by the end of the week.

Mr. Froehlich reported that the plans for the proposed water and sanitary sewer facilities to serve the annexation tracts and Harris County Municipal Utility District 494 are approved. Mr. Froehlich reported that arrangements have been made for publication of the notices for bids for the projects. He reported that award of the projects may be deferred until October. Mr. Froehlich reported that a few easements related to the projects will expire in the next few months. Mr. Froehlich reported that he will work with F&J on extension/renewal of the expiring easements.

Mr. Froehlich provided an update on the connection count computation. He reported that the District can provide water for 3,618 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 2,937 ESFC.

Mr. Froehlich reported that Harris County Municipal Utility District No. 132 ("MUD 132") is updating the shared lift station with the District and Harris County Municipal Utility District No. 151 ("MUD 151") to a wet well configuration with submersible pumps. He reported that the District's share of the estimated cost is \$400,000 based on ESFC. He reported that the MUD 132 attorney has prepared the First Amendment to Agreement for Construction, Maintenance, Sale and Lease of Wastewater Pump Station, Force Main and Site ("First Amendment to Lift Station Agreement") for allocation of the construction costs based on ESFC, a copy of which is attached hereto as Exhibit "J."

Mr. Froehlich reported that Storm Water Solutions, L.P. has prepared the Harris County Storm Water Quality Permit Renewal Application for Water Plant No. 1. He requested Board authorization for execution of the Permit Renewal Application.

Mr. Froehlich reported that Global Ascent has provided a proposal for \$3,459 to perform a "prove-up" inspection of the waterline crossing the bridge at Trophy Place Drive to determine the cause for the attenuation. He reported that the cost to replace the waterline is \$114,085. Mr. Froehlich recommended payment of the Team Industrial Services invoice in the amount of \$4,495.00 for completion of the evaluation of the two waterline ditch crossings at bridges (Trophy Place Drive and Leisure Place Drive). The President asked that Mr. Froehlich research how much time would be required to replace a section of the waterline if it required replacement on an emergent basis.

Mr. Froehlich reported on Atascocita Joint Operations Board report. He reported that BGE and the AJOB operator are working with DryLet to establish a protocol and contract for testing DryLet's product at the Regional Wastewater Treatment Plant. Mr. Froehlich reported that BGE will analyze the data of the DryLet tests.

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 extension of the financial surety deadline from September 1, 2014 to September 17, 2014; to approve reduction in the amount of financial sureties by the amount of taxes paid since annexation of their respective tracts; to approve proceeding with amendment of Dr. Manon and Dr. Quentel's reimbursement agreement to allow for commercial development, but not for development of apartments; to approve the Engineer's Report; to approve the First Amendment to Lift Station Agreement; to authorize execution of the Harris County Storm Water Quality Permit Renewal Application for Water Plant No. 1; and to approve payment to Team Industrial Services in the amount of \$4,495.00 for completion of the evaluation of the two waterline ditch crossings at bridges (Trophy Place Drive and Leisure Place Drive).

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

11. Tract owner request for consideration regarding financial guaranty and any necessary action. This item was covered under the Engineer's Report.

12. First Amendment to Agreement for Construction, Maintenance, Sale and Lease of Wastewater Pump Station, Force Main and Site. This item was covered under the Engineer's Report.

13. **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 "K."

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

Director Soliz asked how deposit refund checks are managed in the case of a deceased homeowner. Mr. Burton reported that the deposit refund is distributed upon receipt of the death certificate and documents establishing where the payment should be directed. Director Soliz reported that Roger Short is deceased and that his refund check had his home address, which has a new resident. Mr. Burton stated that he would research the correct address for Mr. Short's deposit refund.

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, to terminate the delinquent accounts in accordance with the District's rate order, and to transfer the Uncollectible Accounts to the Uncollectible Roll.

14. **First Amendment to Professional Services Agreement with Municipal Operations & Consulting, Inc.** Mr. Hastings presented to and reviewed with the Board the First Amendment to Professional Services Agreement with MOC ("First Amendment to Operator Contract"), a copy of which is attached hereto as Exhibit "L." Mr. Hastings reported that MOC has provided operation services for the District for the past five years. He reported that the First Amendment to Operator Contract increases labor and repair costs but does not increase the basic services cost for the District.

Upon motion by Director Soliz, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve the First Amendment to Operator Contract.

15. **Order Amending and Restating Order Setting Water and Sewer Services Rates, Establishing Tap Fees.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Amending and Restating Order Setting Water and Sewer Service Rates, Establishing Tap Fees, Adopting Rules and Regulations Concerning District's Waterworks and Sanitary Sewer System, and Establishing Policy with Respect to Fire Hydrants, Manholes, Meter Boxes and Clean-Out Valves, ("Amended Rate Order") a copy of which is attached hereto as Exhibit "M." Mr. Hastings reported that the tap fees and pool plan review fees were increased to offset the costs from the Amendment to Operator Contract. He reported that lead content specifications were updated to a maximum of 0.25%.

Upon motion by Director Soliz, seconded by Director Cocetti, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amended Rate Order.

16. **Third Amendment to Emergency Water Supply Contract by and among Harris County Municipal Utility District No. 132 and Harris County Municipal Utility District No. 153.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Third Amendment to Emergency Water Supply Contract between the District and MUD 132 ("Third Amendment to Water Supply Contract"), a copy of which is attached hereto as Exhibit "N." Mr. Thomas reported that the Emergency Water Supply Contract with MUD 132

expired and that the Third Amendment to Water Supply Contract extends the Emergency Supply Contract for a ten year period.

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 Third Amendment to Water Supply Contract.

17. **Other matters.** Mr. Thomas reported that the District's electricity contract expires in December 2014 and that Dave Ciarella of Enhanced Energy Services has requested an opportunity to present to the Board. It was the consensus of the Board to invite Enhanced Energy Services to the next Board meeting.

18. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on September 17, 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 September 17, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

