

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
September 17, 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, September 17, 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, Secretary
Vacant position

All members of the Board were present. Also attending all or portions of the meeting were Mr. Mike Williams of Municipal Operations & Consulting, Inc. ("MOC"), operators for the District; Mr. Matt Froehlich 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; Mr. Dick Lewis and Mr. Rick Lewis of American Enerpower; Mr. Chris Prejean of Enhanced Energy Services; and Mr. Dimitri Millas 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. **Appointment of Director.** This item was deferred.
2. **Election of Officers.** Upon motion by Director Claytor, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Cocetti as Secretary.
3. **Minutes of the meeting of August 20, 2014.** Minutes of the meeting of August 20, 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.

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

Director Soliz joined the meeting at this time.

5. Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2014. The President recognized Ms. Loup, who presented to and reviewed with the Board the Comparison of Historical Assessed Valuations and Tax Rates, a copy of which is attached hereto as Exhibit "B." Ms. Loup recommended a debt service tax rate of \$0.4310 to provide the District sufficient funds to make debt service payments. The Board discussed its operating needs.

Mr. Millas presented to the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2014, a copy of which is attached hereto as Exhibit "C." Mr. Millas informed the Board that this Order authorizes the tax assessor to publish a newspaper notice of the proposed tax rate and information on the public hearing on the tax rate.

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 propose a tax rate of \$0.46, of which \$0.4310 would be for debt service and \$0.0290 would be for maintenance and operations, and to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connections with the Levy of a Tax for 2014, authorizing the tax assessor to publish the proposed tax rate.

6. Enhanced Energy Services presentation and any necessary action. The President recognized Mr. Prejean, who presented to and reviewed with the Board the services provided by Enhanced Energy Services of America, LLC ("Enhanced Energy"), a copy of which is attached hereto as Exhibit "D." The Board discussed the services provided by Enhanced Energy. Mr. Prejean left the meeting.

7. American Enerpower Services presentation and any necessary action. The President recognized Mr. Lewis, who reviewed with the Board the services American Enerpower has provided to the District since 2005. The Board discussed American Enerpower's fee for coordinating electricity service for the District. Mr. Rick Lewis and Mr. Dick Lewis left the meeting.

It was the consensus of the Board to retain American Enerpower as the District's electricity broker if American Enerpower will charge the District the same fee Enhanced Energy quoted.

8. 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 August, 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 August 31, 2014. She reported that the tax accounts with Comerica and Texas Capital Bank have been closed. Ms. Guerrero noted that one taxpayer has arranged a homestead payment plan as noted in the Tax Assessor-Collector Report, and that the taxpayer is current with the payments.

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.

9. 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 no.

5878 to Eagle Lake Gardens & Nursery, LLC is a refund of the taxes paid as approved at the last Board meeting. Mr. Burton reported that he created a money market account for the developer deposits for the construction of the offsite facilities.

Mr. Burton reported that the Cash Flow Forecast has been updated with the projected expense for the work on the shared lift station with Harris County Municipal Utility District No. 132 for 2016.

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 and to authorize payment of the checks listed therein.

10. Developer's Report. Mr. Froehlich reported that the City of Houston City Council considered the Merrylands annexation request on September 16, 2014. He reported that Merrylands Interests provided payment for its share of the upcoming construction costs for the offsite water and sanitary sewer to serve annexation tracts, Water Plant No. 2, Lift Station No. 4, and Expansion of Shared Lift Station ("Project").

Mr. Froehlich reported that Drs. Manon and Quentel are arranging the letter of credits for their share of the Project construction costs. He reported that Mr. Thomas conveyed the Board's response to Drs. Quentel's and Manon's request regarding their annexation and reimbursement agreements. Mr. Froehlich reported that he notified Dr. Manon that his previously paid taxes to the District would be credited towards his share of the Project construction costs for the two acre tract.

Mr. Froehlich reported that Dr. Ameri provided payment for his share of the Project construction costs. Mr. Froehlich reported that he informed Dr. Ameri that previously paid taxes would be credited towards his share of the Project construction costs.

Mr. Froehlich reported that Eagle Lakes and Gardens Nursery provided payment for its share of the Project construction costs. Mr. Froehlich reported that he informed Eagle Lakes and Gardens Nursery that previously paid taxes would be credited towards its share of the Project construction costs.

Mr. Froehlich reported that Jess Fields sold the 4.49 acre tract to Rosewood Holdings, which the City of Houston previously consented to annexation. He reported that consent for annexation must be re-applied to the City of Houston due to the change in name of ownership.

Mr. Froehlich reported that Bill Wheless contacted him regarding utility service and annexation of a 30-acre tract on the west side of West Lake Houston Parkway. He reported that there is a potential buyer interested in utility service for 660 apartment units. Mr. Froehlich reported that Mr. Wheless did not provide specific information on the type of proposed apartments. He reported that the District has 105 excess equivalent single family connections ("ESFC") in the Project; but that the 105 ESFC is not sufficient to serve 660 apartments. He reported that there is probably sufficient capacity in the Project to serve an additional 660 apartments. Mr. Froehlich requested Board authorization to issue a capacity commitment to serve the 30 acre tract contingent upon completion of the Project construction. The Board requested additional information on the proposed 660 apartment units. Ms. Guerrero reported that assessed valuation for apartments is based on the rent charged per unit. She stated that the assessed valuation is usually higher for apartments than for residential property. Mr.

Froehlich offered to provide a cost estimate to Mr. Wheless for his share of the Project and invite Mr. Wheless to the next Board meeting to discuss the proposed apartment development.

11. **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 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 reviewed with the Board the summary of the bids for the Project, included in the Engineer's Report. He reported that the second ground storage tank and generators at Water Plant No. 2 were listed as alternate items for the Water Plant No. 2 bid. Mr. Froehlich reported that there is a 90-day hold on the bids and that the Board can defer award of the Project until the October or November Board meeting. He reported that there is a deduct if Water Plant No. 2 produces less than 2,700 gallons per minute. Mr. Froehlich reported that the low bidder, Gemini Construction, provided a sufficient deduct if the water well produces less than the desired 2,700 gallons per minute.

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 2,939 ESFC.

Mr. Froehlich reported that BGE expects Harris County Municipal Utility District No. 132 ("MUD 132") will authorize BGE to begin design of the wet well configuration with submersible pumps for the shared lift station at the next MUD 132 meeting.

Mr. Froehlich reported that the three hydropneumatic tank inspection reports are available for the Board's review. He reported that the hydropneumatic tanks are in overall good condition. Mr. Froehlich recommended that the District pressure wash the hydropneumatic tanks and touch-up of the minor coat scratches.

Mr. Froehlich reported that Global Ascent performed the "prove-up" inspection of the waterline crossing at the bridge at Trophy Place Drive. He reported that the ultrasonic readings did not indicate any immediate concerns. Mr. Froehlich reported that the findings were reviewed with Team Industrial Services and stated that no action was recommended at this time.

Mr. Froehlich reported on the Atascocita Joint Operations Board report. He reported that there was one odor complaint during the time the Muffin Monster was not operational. Mr. Froehlich reported that the operator will begin product testing DryLet on September 29, 2014.

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 authorize BGE to provide a cost estimate to Mr. Wheless for his share of the Project, to invite Mr. Wheless to the next Board meeting to discuss the proposed apartment development, and to approve the Engineer's Report.

12. **Review bids and award Offsite Water and Sanitary Sewer to serve Annexation Tracts, Water Plant No. 2, Lift Station No. 4, and Expansion of Shared HCMUD 152/153 Lift Station.** This item was deferred.

13. **Approve water and sanitary sewer easements for offsite facilities.** Mr. Millas presented to and reviewed with the Board the three 20-foot Sanitary Sewer Easements from Victor Manon and Manfred Quentel, copies of which are attached hereto as Exhibits "H," "I," and "J." Mr. Millas presented to and reviewed with the Board the 10-foot Waterline Easement from D.R. Horton, a copy of which is attached hereto as Exhibit "K." He reported that the easements are to replace expiring easements for the upcoming Project and have the same provisions.

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 accept the three 20-foot Sanitary Sewer Easements from Victor Manon and Manfred Quentel and the 10-foot Waterline Easement from D.R. Horton.

14. **Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.** Mr. Millas presented to and reviewed with the Board the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects ("Resolution"), a copy of which is attached hereto as Exhibit "L." Mr. Millas reported that Texas law requires that the District adopt a prevailing wage rate scale. He reported that the Resolution adopts the prevailing wage rate scale adopted by the City of Houston.

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 adopt the Resolution.

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

16. **Revised Annexation Agreement, Reimbursement Agreement and Master Sales Agreement and Lease of Facilities (Manon/Quentel).** Mr. Millas presented to and reviewed with the Board the First Amendment to Annexation Agreement by and between the District and Victor Manon and Manfred Quentel ("First Amendment"), a copy of which is attached hereto as Exhibit "M." Mr. Millas reported that the First Amendment amends the Annexation Agreement with Dr. Manon and Dr. Quentel for development of commercial property but not multifamily development.

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 First Amendment.

17. **Wheless annexation and utility service request (30 acre tract) and any necessary action.** This item was covered under the Engineer's Report.

18. **Accept Petition for Addition of Land (Rosewood Holding Company) and Approve Petition for City Consent.** This item was deferred.

19. **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 "N."

Mr. Williams reviewed the Termination List, included in the Operations 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 Operator's Report, and to terminate the delinquent accounts in accordance with the District's rate order.

20. **Other matters.** Ms. Deitrick reported that the City of Houston provided the projected pumpage allocation for the District for 2015. She stated that Mr. Froehlich and Mr. Williams will review the proposed pumpage and determine if any revision request needs to be submitted to the City of Houston.

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



President, Board of Directors

ATTEST:


Secretary, Board of Directors

(DISTRICT SEAL)

