

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
September 16, 2015

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 the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. on Wednesday, September 16, 2015, 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
Ed Wilcox, Assistant Secretary

All members of the Board were present, except Director Claytor. 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 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. Mark Cervantes of Van De Wiele & Vogler, Inc., engineer for Merrylands Interests; Ms. Linda Loup of Public Finance Group, LLC, financial advisor for the District; and Mr. Neil Thomas and Ms. Yvette Deitrick of Norton Rose Fulbright US LLP ("NRF"), 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 August 24, 2015.** Minutes of the meeting of August 24, 2015, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Cocetti, seconded by Director Wilcox, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.

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

3. **Consider Financial Advisor's tax rate recommendations and Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2015.** The Vice 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 \$0.3835 to provide the District sufficient funds to make debt service payments. The Board discussed its operating needs.

Mr. Thomas 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 2015, a copy of which is attached hereto as Exhibit "C." Mr. Thomas 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 Cocetti, seconded by Director Wilcox, after full discussion and the question being put to the Board, the Board voted unanimously to propose a tax rate of \$0.4510, of which \$0.3835 would be for debt service and \$0.0675 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 2015, authorizing the tax assessor to publish the proposed tax rate.

4. 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 "D." Ms. Guerrero reported that as of August 31, 2015, 99.0% of the District's 2014 taxes had been collected.

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 the Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

5. 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. 6400 to Atascocita Joint Operations Board ("AJOB") is for three months billing and annual reconciliation. Mr. Burton reported that check no. 6414 to the City of Houston is for the Wheelless annexation consent request submittal to the City of Houston.

Director Cocetti reported that AJOB has \$1,000,000 in the Operating Fund and extensive spare equipment at the Regional Wastewater Treatment Plant. He reported that AJOB is required to have \$600,000 in the Operating Fund as a reserve. Mr. Froehlich and Mr. Burton discussed the need for operating reserve to manage costly emergency repairs.

Mr. Burton reported that check no. 2291 to Quadvest Construction in the amount of \$65,587.50 is for Pay Estimate No. 5.

Upon review of the Account Balances, Mr. Burton reported that a Certificate of Deposit was purchased for the General Fund at Independent Bank.

Upon review of the Budget Comparison, Mr. Burton reported that a prior Harris County Municipal Utility District No. 494 ("MUD 494") payment was reclassified from payment for the projects to a utility capacity purchase. Mr. Froehlich noted that the payment was for a portion of the initial 150 connections from Water Plant No. 1.

Mr. Burton reviewed the Cash Flow Forecast with the Board, included in the Bookkeeper's Report. He reported that the Assessed Value and Tax Rate were updated in the Cash Flow Forecast. Mr. Burton stated that the recent MUD 494 payment was added to the Cash Flow Forecast. Mr. Burton noted that the long-term Cash Balance projection has improved with the increased assessed valuation.

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

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.

6. Developer's Report. Mr. Froehlich reported on The Bridges at Lake Houston development. Mr. Froehlich reported that facility construction in Sections Three and Four is substantially complete. Mr. Froehlich reported that utilities construction is scheduled to begin next month in Section Five. He reported that D. R. Horton has 59 homes occupied. Mr. Froehlich reported that he is discussing reduction of water usage with MUD 494. Mr. Froehlich reported that Mr. Hastings indicated that water usage is nearing the District's Drought Contingency Plan threshold. Mr. Froehlich reported that he will discuss appropriate water usage by MUD 494 with Mr. Thomas and MUD 494 to prevent this from becoming an issue in the summer of 2016. Mr. Froehlich stated that the agreement for the initial 150 connections details allowed usage so there may be other options to pursue, if needed.

Mr. Froehlich reported on Merrylands development. Mr. Cervantes reported that Merrylands has not received clearance from the U.S. Army Corps of Engineers ("USACE") to proceed on the clearing and grubbing.

Mr. Froehlich reported that NRF is getting ready to submit the Rosewood Funeral Home annexation consent request to the City of Houston.

Mr. Froehlich reported that the Wheless annexation petition is on the agenda for the Board's consideration.

Mr. Froehlich reported that BGE is revising the survey documents for the 2.95 acre annexation to reflect the split and sale of the tract. He reported that the annexation submittal will proceed once the sale is final.

7. 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 on Water Plant No. 2 construction. He reported that BGE has received USACE clearance to proceed with the project. Mr. Froehlich reported that he met with the contractor and anticipated that work would begin soon.

Mr. Froehlich reported that the contractor had begun construction of Lift Station No. 4, and that construction is approximately 80% complete. He recommended payment of Pay Estimate No. 5 from Quadvest Construction in the amount of \$65,587.50 for construction of Lift Station No. 4.

Mr. Froehlich reported on the offsite utilities construction. Mr. Froehlich reported that construction is about 85% complete. Mr. Froehlich reported that the contractor was informed that he may proceed with the connection to Water Plant No. 2. He reported that the contractor is managing restoration of the landscaping.

Mr. Froehlich reported on the Harris County Municipal Utility District No. 152 and District Lift Station Expansion. He reported that construction is about 75% complete.

Mr. Froehlich reported on the Harris County Municipal Utility District No. 132 Lift Station No. 1 improvements. He reported that the Notice to Proceed was issued on June 22, 2015, and that the construction is underway.

Mr. Froehlich provided an update on the connection count computation. He reported that based on the recent water well test, the District can provide water for 3,538 equivalent single family connections ("ESFC"), and wastewater treatment for 5,183 ESFC. Mr. Froehlich reported that the District currently serves 2,956 ESFC.

Mr. Froehlich reported that Storm Water Solutions, L.P. submitted the Storm Water Quality Permit Renewal Application for Water Plant No. 1 to Harris County.

Mr. Froehlich reported on the Atascocita Joint Operations Board meeting. Mr. Froehlich reported that DryLet, Severn Trent Environmental Services and BGE met with the Texas Commission on Environmental Quality ("TCEQ") regarding the results of the DryLet testing at the Regional Wastewater Treatment Plant. He reported that DryLet requested TCEQ's approval to proceed with additional testing and to allow the test plant to operate outside the "rule of thumb" range for mixed liquor suspended solids ("MLSS") if the permit requirements are met. Mr. Froehlich reported that the TCEQ was fine with additional testing on a case-by-case basis with prior TCEQ approval. Mr. Froehlich reported that AJOB has authorized DryLet to perform additional testing beginning in November.

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 the Engineer's Report; and to approve payment of Pay Estimate No. 5 from Quadvest Construction in the amount of \$65,587.50 for construction of Lift Station No. 4.

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

9. Accept Petition for Addition of Land (Wheless, et al.) and Approve Petition for City Consent. The Vice President recognized Mr. Thomas, who presented to and reviewed with the Board a Petition for Addition of Land executed by the Bill Wheless, et al. and the Petition to the City of Houston for Consent to Addition of Land, copies of which are attached hereto as Exhibits "H" and "I," respectively. Mr. Thomas stated that the terms of the reimbursement agreements require that the landowner achieves a ten-to-one taxable value to debt ratio on the tract to be annexed before the District is required to reimburse the landowner. Director Cocetti noted that it will require the District a long time to repay the debt issued to reimburse the landowner. Mr. Thomas noted that the increased taxable value of the District generates more revenue and that the District's operating and maintenance costs are shared by more residents. Director Cocetti noted that the District is not currently charging sufficiently for water service. Director Cocetti stated that he would prefer that the District does not increase its debt burden.

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 Petition for Addition of Land and approve the Petition for City Consent.

10. Consider Wheless Reimbursement Agreements. Mr. Thomas presented to and reviewed with the Board the Master Sales Agreement and Lease of Facilities and Financial Guaranty and Reimbursement Agreement between the District and William Wheless, et al. ("Reimbursement Agreements"), copies of which are attached hereto as Exhibits "J" and "K," respectively. Mr. Thomas reported that the Reimbursement Agreements provide for the property owners to pay for utilities construction to serve the tracts and that the District will reimburse the property owners when the taxable value of the tract is sufficient to meet the bond debt paid to reimburse the property owners. Mr. Thomas reported that the financial advisor performs the calculation to determine when there is sufficient taxable value on the tracts.

Upon motion by Director Wilcox, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Reimbursement Agreements with William Wheless, et al.

11. 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.

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 Write-Off accounts to the Uncollectible Roll.

12. Other matters. Mr. Thomas reported that new a Texas statute requires that vendors and government officials file disclosure statements for any "gifts" with an aggregate value of \$100 or more, including entertainment other than food.

13. Next Meeting Date. It was the consensus of the Board to hold the next monthly Board meeting on October 21, 2015, 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 21, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

