

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
February 18, 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 offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. on Wednesday, February 18, 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 Wilcox. 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 Interest; 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 January 21, 2015.** Minutes of the meeting of January 21, 2015, 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 the minutes as presented.

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

3. **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 January, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that as of January 31, 2015, 94.7% of the District's 2014 taxes had been collected.

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

4. 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 "C." Mr. Burton noted that a debt payment is due March 1, 2015.

Upon review of the Account Balances, Mr. Burton reported that one Certificate of Deposit ("CD") was purchased at Post Oak Bank for the General Fund and five CDs were purchased for the Debt Service Fund at Post Oak Bank, First State Bank, Green Bank, Icon Bank and Unity Bank.

Upon review of the Cash Flow Forecast, Mr. Burton reported that the Net Surplus decreases over time. He noted that the Capital Outlays are for projects not included in a bond issuance. Mr. Burton reported that the projected Capital Outlays would cost between \$18.00 and \$20.00 per equivalent single family connection per month to pay for the expenditures without issuing bonds. Director Cocetti stated that the District is not charging enough to produce water and maintain the District's facilities. Mr. Froehlich stated that the District may be able to delay some of the proposed Capital Outlays.

Mr. Burton presented to and reviewed with the Board the Amended Budget for fiscal year ending March 31, 2015, included in the Bookkeeper Report. Mr. Burton reported that the budget was amended for the capital outlay not included in the Series 2014 Bonds.

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

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 Bookkeeper's Report, to authorize payment of the checks listed therein, to adopt the Amended Budget for fiscal year ending March 31, 2015, and to approve the Quarterly Investment Report.

5. Amend Budget for fiscal year ending March 31, 2015. This item was covered under the Bookkeeper's Report.

6. Developer's Report. Mr. Froehlich introduced Mr. Cervantes, engineer for Merrylands Interests. Mr. Froehlich reported that Merrylands Interests will construct a detention basin east of the railroad, in an area not annexed by the District. He reported that the District will eventually maintain the detention basin, its stormwater quality feature and permitting, upon completion. Mr. Cervantes reported that Merrylands Interests opened bids for clearing and grubbing on February 13, 2015.

Mr. Froehlich reported that he was contacted from a developer regarding possible purchase of the 35-acre tract owned by Dr. Manon and Dr. Quentel that was annexed into the District last month.

Mr. Froehlich reported that he was contacted by an engineer regarding utility service to a 2.95-acre tract on the west side of West Lake Houston Parkway just north of the railroad crossing. Mr. Froehlich reported that he informed the engineer that the tract would have to be annexed into the District and directed the engineer to NRF for an agenda item for the next

Board meeting.

Mr. Froehlich reported that NRF sent letters to Mr. Wheless, and Dr. Manon and Dr. Quentel for deposits for annexation of their respective tracts. He reported that no work will occur on the annexations until receipt of the deposits.

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 "E."

Mr. Froehlich reported that he provided Harris County Municipal Utility District No. 494's ("MUD 494") the estimate of their additional construction cost share for Lift Station No. 4 and the force main. He reported that the tables for the contract with MUD 494 will be adjusted for the revised sanitary sewer flow to Lift Station No. 4. Mr. Froehlich reported that a credit of \$189,450 may be due MUD 494 for the temporary use of the District's sanitary system and Champions Village Lift Station for MUD 494's initial 150 equivalent single family connections ("ESFC"). Mr. Froehlich reported that MUD 494 asked if the District would consider a credit for the payment for the initial 150 ESFC, which was \$2,600 per ESFC. Mr. Froehlich reported that he is calculating the operating and maintenance expenses for MUD 494 for the water and sanitary sewer usage to date. Mr. Froehlich reported that MUD 494 is working to get current with the agreements with the District, Atascocita Joint Operations Board ("AJOB") and other AJOB participants. He reported that MUD 494 has 78 ESFC remaining to purchase. He reported that MUD 494 paid the District for sanitary sewer treatment per an outdated agreement and is due a credit of \$45,493 which could be applied to future payments to the District.

Mr. Froehlich reported that BGE issued the Notice to Proceed on February 2, 2015, for the Water Plant No. 2 construction. He noted that the contract length is 480 calendar days.

Mr. Froehlich reported that BGE issued the Notice to Proceed on February 2, 2015, for the Lift Station No. 4 construction. He noted that the contract length is 240 calendar days. Mr. Froehlich reported that the contractor requested a change order for \$5,011.74 to cover the increase in concrete materials since the project was awarded. He noted that the project was bid in September and that the Board requested extension of the bid due to the delay in the Texas Commission on Environmental Quality approval of the bond issuance.

Mr. Froehlich reported that a pre-construction meeting was held on January 29, 2015, for the Offsite Utilities construction. He reported that the contractor requested to substitute fusible polyvinyl chloride ("PVC") pipe for the 20-inch ductile iron pipe for the waterline as specified in the plans and contract. Mr. Froehlich reported that he researched the fusible PVC pipe and has no issues with the substitution. He reported that there is no net change in the contract amount for the substitution of the fusible PVC pipe. Mr. Froehlich recommended that the Board approve the change order for the fusible PVC pipe. He noted that the contract length is 150 calendar days.

Mr. Froehlich reported that BGE issued the Notice to Proceed on February 2, 2015, for the Harris County Municipal Utility District No. 152 and District Lift Station Expansion. He noted that the contract length is 180 calendar days.

Mr. Froehlich reported that the Harris County Municipal Utility District No. 132 Lift Station No. 1 plans were submitted to Harris County for review.

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 3,618 equivalent single family connections ("ESFC") and wastewater treatment for 5,250 ESFC. Mr. Froehlich reported that the District currently serves 2,942 ESFC.

Mr. Froehlich reported that two ground storage tanks at Water Plant No. 1 will be inspected in March.

Mr. Froehlich reported on the Atascocita Joint Operations Board meeting. He reported that preliminary analysis of the DryLet system indicate reduced sludge. Mr. Froehlich reported that data will continue to be collected through May 2015. He reported that BGE is reviewing other cost factors, such as electricity and polymers, to include all cost benefits.

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 Engineer's Report; to approve the Change Order #1 for \$5,011.74 for Lift Station No. 4 construction to cover the increase in concrete materials; and to approve Change Order #1 to substitute fusible PVC pipe for the 20-inch ductile iron pipe for the waterline for the Offsite Utilities construction with no net change in the contract amount.

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

9. 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 "F."

Mr. Hastings reviewed the Termination List and Uncollectible Accounts List, included in the Operations Report. He reported that there are 125 renters in 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 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.

10. Amend Rate Order. Mr. Thomas 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 "G." He reported that the Rate Order currently requires a security deposit of \$150 for each rented residential connection. The Board discussed the lost revenue from the uncollectible accounts. 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 Amended Rate Order with an increase of the security deposit to \$200 for each rented residential connection.

11. Approve Amended and Restated Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Amended and Restated Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds ("Amended Post Issuance

Policy”), a copy of which is attached hereto as Exhibit “H.” Mr. Thomas reported that the Amended Post Issuance Policy designates the District Treasurer as the officer responsible for monitoring the District’s post-issuance tax compliance and states that he will be assisted by the District’s consultants. He reminded the Board that it had engaged Municipal Risk Management Group to monitor the use and investment of Bond proceeds .

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 Amended Post Issuance Policy.

12. Other matters. No action was taken on this item.

13. Next Meeting Date. It was the consensus of the Board to hold the next monthly Board meeting on March 18, 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 March 18, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

