

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
March 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, March 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 Waters. 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 and Mr. Jorge Bustamante of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Cynthia Colondres 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 February 18, 2015.** Minutes of the meeting of February 18, 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. **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 February, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that as of February 28, 2015, 96.0% of the District's 2014 taxes had been collected.

Ms. Guerrero presented to and reviewed with the Board the Summary Explanation of the Historical Collections and Tax Data, a copy of which is attached hereto as

Exhibit "C." Ms. Guerrero noted that the Reserve for Uncollectibles will be blank for the recent years because personal property must be delinquent for four years before it may be deemed uncollectible.

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 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. Ms. Colondres presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D." Ms. Colondres reported receipt of a payment from Harris County Municipal Utility District No. 494 ("MUD 494") for water and sewer for June 2014 to January 2015. Ms. Colondres reported that a separate Special Revenue Fund was created for the shared facilities with MUD 494. She reported that there will be a separate budget for the Special Revenue Fund, and that all activities related to the shared facilities will be transacted through the Special Revenue Fund.

Ms. Colondres reported that the Mach 1, 2015 debt payment was paid.

Upon review of the Account Balances, Ms. Colondres reported that two Certificates of Deposit ("CD") were purchased at Commercial State Bank, one for the General Fund and one for the Debt Service Fund.

Director Cocetti presented to and reviewed with the Board the Five Year Maintenance Options, a copy of which is attached hereto as Exhibit "E." Director Cocetti reported that the Cash Flow Forecast indicates that the District is not charging enough to produce water and maintain the District's facilities. He reported that the District has options on how to finance the projected future capital outlays for maintenance of the District's facilities. Director Cocetti reported that the engineer could identify the projects that may be deferred. He reported that the bookkeeper calculated that with no additional bonds the projects would cost about \$20 per equivalent single family connection per month in rates paid to pay for the expenditures. Director Cocetti reported that alternatively the District's tax rate could be increased to pay for the projects. He noted that the tax rate increase would result in an increase of \$240 per year for the average tax bill. Director Cocetti reported that the District may continue to finance the projects, as it has in the past, with the issuance of bonds and maintain about the same tax rate. Director Cocetti asked that the Board consider the options for future discussions. Ms. Guerrero reported that utility districts usually do not increase tax rates greater than the rollback tax rate to avoid a possible election. Mr. Thomas reported that the District may issue a maximum tax rate of \$1.00 per \$100 assessed valuation for maintenance and operations. Mr. Thomas stated that as a general matter a project is considered a capital expenditure if the work extends the life of the facilities. Mr. Froehlich reported that most of the expected projects extend the life of the facilities.

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 Bookkeeper's Report and to authorize payment of the checks listed therein.

5. Adopt Budget for fiscal year ending March 31, 2016. Ms. Colondres reviewed with the Board the draft Operating Budget for fiscal year ending March 31, 2016, included in the Bookkeeper's Report.

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 adopt the budget for the fiscal year ending March 31, 2016.

6. First Amendment to Amended and Restated Agreement for Bookkeeping Services with Municipal Accounts & Consulting, L.P. Ms. Colondres presented to and reviewed with the Board the First Amendment to Amended and Restated Agreement for Bookkeeping Services with Municipal Accounts & Consulting, L.P. ("First Amendment"), a copy of which is attached hereto as Exhibit "F." Ms. Colondres reported that the First Amendment is to add the expense of managing the Special Revenue Fund to the bookkeeper's contract. 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 First Amendment.

7. Developer's Report. Mr. Froehlich reported on development in The Bridges at Lake Houston. He reported that the contractor is paving the streets in Sections Three and Four. He reported that 54 homes are complete and 34 homes are under construction in Sections One and Two.

Mr. Froehlich reported that Merrylands Interest awarded the clearing and grubbing to K&K Tree & Tractor Service. He noted that the bid tab was included in the Engineer's Report.

Mr. Froehlich reported that Mr. Wheless is arranging the annexation deposit.

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 "G."

Mr. Froehlich reported that Mr. Thomas and the MUD 494 attorney are coordinating the revisions to the agreement between the District and MUD 494 for the 150 equivalent single family connections ("ESFC") that will initially be directed to the shared lift station between the District and Harris County Municipal Utility District No. 152. He reported that when MUD 494 exceeds the initial 150 ESFC, MUD 494 will route all sanitary sewer to Lift Station No. 4.

Mr. Froehlich reported that the Water Plant No. 2 contractor is coordinating with the Merrylands clearing contractor for clearing of the Water Plant No. 2 site and access. He reported that the contractor will mobilize once the site is cleared.

Mr. Froehlich reported that the contractor began construction of Lift Station No. 4.

Mr. Froehlich reported on the offsite utilities construction. He reported that the contractor is constructing the gravity sanitary sewer line at the south portion of the project.

Mr. Froehlich reported on the Harris County Municipal Utility District No. 152 and District Lift Station Expansion. He reported that the contractor is expected to mobilize soon.

Mr. Froehlich reported that BGE is finalizing the plans for the Harris County Municipal Utility District No. 132 Lift Station No. 1, and expects to begin advertising for bids within the next few weeks.

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 that MUD 494 paid the District \$205,696 in September 2014 for the purchase of wastewater treatment capacity at the AJOB treatment plant and trunk line to the plant. He reported that MUD 494 overpaid the District \$45,453 pursuant to the final executed agreements. Mr. Froehlich suggested the Board authorize issuing MUD 494 a credit of \$45,453 to be applied to future payments to the District. Mr. Froehlich requested Board approval of the execution of the assignments of the wastewater treatment capacity at the AJOB treatment plant and trunk line to the plant to MUD 494.

Mr. Froehlich reported that Mr. Thomas and he met with the owner of a 2.95-acre tract on the west side of West Lake Houston Parkway, just north of the railroad crossing. He reported that the landowner has requested annexation into the District. Mr. Froehlich reported that the tract is located at the end of the District's planned utility extensions along West Lake Houston Parkway. He reported that the landowner plans to construct two medical buildings and anticipates utility capacity requirements will be about 11 ESFC. Mr. Froehlich reported that the District has sufficient capacity to serve the tract.

Mr. Froehlich reported on the Atascocita Joint Operations Board meeting. He reported that analysis of the DryLet system continues to indicate reduced sludge. Mr. Froehlich reported that the AJOB Board approved extending the testing through October 2015 to obtain a full year of data.

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 Engineer's Report; to approve issuing MUD 494 a credit of \$45,453 to be applied to future payments to the District; to authorize execution of the assignments of the wastewater treatment capacity at the AJOB treatment plant and trunk line to the plant to MUD 494; and to authorize BGE and NRF to prepare the annexation documents upon receipt of \$15,000 deposits for the 2.95-acre tract.

9. Authorization of Execution of Assignment of Atascocita Regional Wastewater Treatment Plant Capacity and Trunkline Capacity. This item was covered under the Engineer's Report.

10. Consideration of annexation of 2.95 acres. 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. Hastings presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H."

Mr. Hastings reviewed the Termination List and Uncollectible Accounts 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 Uncollectible Accounts to the Uncollectible Roll.

13. Second Amendment to Professional Services Agreement with Municipal Operations & Consulting, Inc. Mr. Hastings presented to and reviewed with the Board the Second Amendment to Professional Services Agreement with Municipal Operations & Consulting, Inc. ("Second Amendment"), a copy of which is attached hereto as Exhibit "I." Mr. Hastings reported that MOC has been the operator for six years and that the Second Amendment adds the operation and management of Water Plant No. 2 and the additional lift station. He reported that the fee structure has been revised with a decrease in the base residential connection fee and an increase in plant and facility fees, to ensure MUD 494 pays an appropriate portion of the operating costs for Water Plant No. 2 and the lift station. Upon motion by Director Soliz, seconded by Director Wilcox, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Second Amendment.


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 April 15, 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 April 24, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

