

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
January 20, 2016

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, January 20, 2016, whereupon the roll was called of the members of the Board, to-wit:

Sam Claytor, Jr., President
Rick Soliz, Vice President
Ed Cocetti, Secretary
Ed Wilcox, Assistant Secretary
Vacant

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"), engineer 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; 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 December 16, 2015.** Minutes of the meeting of December 16, 2015, previously distributed to the Board, were presented for consideration and approval. 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 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 December, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that as of December 31, 2015, 70% of the District's 2015 taxes had been collected.

Ms. Guerrero presented the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto as Exhibit "C." Ms.

Guerrero noted that Perdue did not request any actions by the Board.

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

4. Authorization of Additional Penalty on Delinquent Taxes. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "D." Mr. Thomas reported that collection of delinquent personal property taxes would begin on April 1 if approved by the Board.

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 adopt the Resolution.

5. Consider property tax exemptions. The President recognized Ms. Guerrero, who reported that last year the Board granted \$5,000 homestead property tax exemptions for owners who are 65 or older or who are disabled. Mr. Thomas presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who Are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "E."

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 grant a \$5,000 homestead property tax exemption for those who are 65 years of age or older or who are disabled.

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 reported that check no. 6550 to Ginger Julian in the amount of \$4,331.20 for reimbursement of her insurance was circulated for signature. Mr. Burton reported that check no. 6571 to Bionic Emergency Services in the amount of \$10,527.18 is for clean up after the sanitary sewer backup. He reported that check no. 6581 to the Texas Commission on Environmental Quality is for the annual regulatory assessment fee.

Mr. Burton reported on Capital Project Fund expenditures. He reported that check no. 2306 to E. P. Brady, Ltd. in the amount of \$69,805.92 for Pay Estimate No. 7 is for the offsite utilities construction. He reported that check no. 2308 to E. P. Brady, Ltd. in the amount of \$349,310.27 for Pay Estimate No. 8 for the offsite utilities construction is not included in the Bookkeeper's Report.

Upon review of the Account Balances, Mr. Burton reported that a Certificate of Deposit was purchased for the General Fund at Post Oak Bank and for the Debt Fund at Business Bank of Texas.

Director Cocetti requested details of the Contingencies Expenses listed in the Series 2014 Bond Proceeds Cost Comparison.

Director Soliz reported that the Association of Water Board Directors Conference

is occurring January 22 and 23, 2016. Director Soliz reported that Mr. Burton suggested following the standard number of days for per diems. Mr. Burton reported that the standard for the Mid-Winter Conference is three days and two nights. Director Soliz noted that Mr. Thomas and Mr. Burton said it was acceptable to be reimbursed for mileage to the Board meeting, even if he was in the vicinity of downtown for other work.

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 Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve check no. 2308 to E.P. Brady, Ltd.

7. Developer's Report. Mr. Froehlich reported on Bridges on Lake Houston. He reported that 82 homes are occupied.

Mr. Cervantes reported that the clearing and grubbing is underway on the west side of the Merrylands tract in the District.

Mr. Froehlich reported that the Rosewood Funeral Home annexation request was approved by the City of Houston.

Mr. Froehlich reported that the Wheless tract annexation request was approved by the City of Houston.

Mr. Froehlich reported that the 2.95-acre annexation will proceed when the sale to split the tract is complete.

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 the attorney for Harris County Municipal Utility District No. 494 ("MUD 494") informed BGE and NRF that D. R. Horton plans to lease the use of 150 connections from Academy Development (Merrylands). He reported that the lease will increase MUD 494's connections to 300. Mr. Froehlich reported that a letter has been sent to MUD 494 regarding 494's water usage exceeding the Water Supply and Sanitary Sewer Agreement and that the letter requests that MUD 494 not install additional connections until an agreement is in place for lease of Academy Development's 150 connections and provided to the District.

Mr. Froehlich reported that Mr. Thomas and the MUD 494 attorney are coordinating revision 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 on the Water Plant No. 2 construction. He reported that the water well drilling is underway. Mr. Froehlich reported that the pilot hole is complete, and that soil logs and water samples have been reviewed.

Mr. Froehlich reported on the Lift Station No. 4 construction. Mr. Froehlich reported that construction is complete. He reported that a startup inspection is scheduled for January 27, 2016.

Mr. Froehlich reported on the offsite utilities construction. Mr. Froehlich reported that construction is complete. He reported that the final inspection is scheduled for January 27, 2016. Mr. Froehlich recommended payment of Pay Estimate Nos. 7 and 8 from E. P. Brady, Ltd. in the amounts of \$69,805.92 and \$349,310.27, respectively, for the offsite utilities construction. Mr. Froehlich reported that the West Lake Houston Parkway landscaping will be restored after the inspection.

Mr. Froehlich reported on the Harris County Municipal Utility District No. 132 Lift Station No. 1 improvements. He reported 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 2,958 ESFC.

Mr. Froehlich reported on the Atascocita Joint Operations Board meeting. Mr. Froehlich reported that DryLet installed the applicator at the Regional Wastewater Treatment Plant for the phase two testing. Mr. Froehlich reported that the AJOB attorney is reviewing an agreement with DryLet regarding disclosure of intellectual property. Director Cocetti asked how information available to AJOB may be classified as private. Mr. Thomas reported that there are some exceptions to the Open Records Act. Mr. Thomas stated that the information provided to Severn Trent Environmental Services may not be protected because the information belongs to AJOB. Mr. Thomas stated that any information available to a director because of his status as a director may be subject to the Open Records Act. Mr. Thomas suggested that Director Cocetti not personally sign any such agreement with DryLet.

Mr. Froehlich requested Board authorization of Change Order No. 1 in the amount of \$72,533.33 for the offsite utilities construction. Mr. Thomas stated that E.P. Brady, Ltd, will have to provide a Form 1295 for the Change Order.

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 payment of Pay Estimate Nos. 7 and 8 from E. P. Brady, Ltd. in the amounts of \$69,805.92 and \$349,310.27, respectively, for the offsite utilities construction, and to approve Change Order No. 1 in the amount of \$72,533.33 for the offsite utilities construction, contingent upon receipt of a Form 1295.

9. Atascocita Joint Operations Board report. Director Cocetti commended Mr. Froehlich on his management of the connection count issue occurring at the AJOB meetings.

10. Order Adding Land and Redefining Boundaries (Rosewood Holding Company). The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit "H". Mr. Thomas reported that the City of Houston approved the annexation of the Rosewood Corporation tract. He stated that the tract would be served by Water Plant No. 2.

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 Order Adding Land and Redefining Boundaries.

11. Order Adding Land and Redefining Boundaries (Wheless et al. tract). The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit "I". Mr. Thomas reported that the City of Houston approved the annexation of the Wheless et al. tract. He stated that the tract would be served by Water Plant No. 2. Director Cocetti stated that annexing the Wheless tract into the District incurs long term debt for the District and is not worth the debt expense. Mr. Froehlich stated that the majority of the debt will be for the facilities to serve MUD 494 and Merrylands. Mr. Froehlich stated that the Wheless tract is very small in comparison to the larger tracts served by the facilities. Mr. Thomas noted that the Board approved the annexation four months ago and this is the final step in the annexation process. Director Cocetti requested that financial documentation of the economic feasibility of an annexation be presented when the Board considers annexation requests in the future, specifically why the annexation is to the benefit of the District. 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 stated that the District will have to issue bonds to reimburse Mr. Wheless. Mr. Thomas reported that the taxable value from the Wheless tract will pay for the bond debt expense. This item was deferred.

12. Amended District Information Form. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Amended District Information Form, a copy of which is attached hereto as Exhibit "J." Mr. Thomas reported that this amended District Information Form will be filed in the Harris County Real Property Records and with the Texas Commission on Environmental Quality, to note the new boundaries of the District from the Rosewood Corporation annexation into the District.

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 Amended to District Information Form.

13. 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 "K."

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

Mr. Hastings reported that the Lift Station on Decathlon Court sustained damage due to soil subsidence. He reported that the subsidence caused pulling of the control panel wires and a fire. Mr. Hastings reported that the control panel, switches and pump at the Lift Station required replacement after the fire. He reported that the Lift Station was essentially rebuilt for an approximate cost of \$20,000. Mr. Hastings reported that an insurance claim was filed for the expense.

Mr. Hastings reported that a customer established a water service account with Harris County Municipal Utility District No. 109. He reported that the customer incurred \$150 in late penalties and is disputing the fees. Mr. Hastings reported that the customer incurred late fees because he was paying Harris County Municipal Utility District No. 109 for water service. It was the consensus of the Board to have Mr. Hastings use his discretion in dealing with the customer's request for adjustment of his water bill.

Mr. Hastings reported that the District previously acquired an easement from Ms. Spurlock for the offsite utilities construction and in exchange agreed to provide water and sanitary sewer service to her tract on West Lake Houston Parkway. Mr. Hastings stated that the prior cost estimate for such connection was \$7,000. He noted that the connection may be more than \$7,000 because the prior estimate was from several years ago. Mr. Hastings stated that he would review the agreement for terms of service and contact Ms. Spurlock to arrange for connection to the District.

Mr. Hastings reported that Ms. Julian requested a note from the District that it was aware of the issue that caused the sanitary sewer backup in her home, and wants a guarantee that it will not occur again. Mr. Hastings reported that District's insurer misplaced the District's claim for her sanitary sewer backup and that the claim has been refiled with the insurer. Mr. Hastings reported that Ms. Julian's insurer, USAA, will reimburse her up to \$10,000 for expenses not covered by the District's insurance. Mr. Hastings reported that he has confirmed this with USAA. It was the consensus of the Board not to take action until the District's insurance company settles the claim. Mr. Thomas stated that NRF will prepare a release for Ms. Julian to sign upon receipt of the insurance payment.

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; to transfer the Uncollectible Accounts to the Uncollectible Roll, and to authorize MOC to proceed with the water and sanitary sewer connection to Ms. Spurlock's tract.

14. Authorize publication of notice of exemption from use of electronic voting system. Mr. Thomas presented to and reviewed with the Board the Resolution Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System for the 2016 Directors Election, a copy of which is attached hereto as Exhibit "L." Mr. Thomas reported that the District is permitted to hold a directors election without use of an electronic voting machine. He stated that the notice of exemption from use of electronic voting system must be published in a newspaper in general circulation in the District to comply with the statute.

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 Resolution Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System for the 2016 Directors Election.

15. Adopt Order Calling Directors Election. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "M." Mr. Thomas informed the Board that a Directors election is scheduled to occur on May 7, 2016.

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 Order Calling Directors Election.

16. Approve Eminent Domain Annual Report to Comptroller of Public Accounts. Mr. Thomas presented to and reviewed with the Board the Eminent Domain Report, a copy of which is attached hereto as Exhibit "N." Mr. Thomas reported that a new state law requires annual filing with the Texas Comptroller of Public Accounts by entities that have eminent domain authority.

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 Eminent Domain Report and authorize NRF to file such report with the Texas Comptroller of Public Accounts.

17. **Other matters.** No action was taken on this item.

18. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on February 17, 2016, 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 February 17, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

