

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
NOVEMBER 16, 2016

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

§
§
§

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 US LLP, 1301 McKinney St., Houston, Texas 77010, at 11:30 a.m. on Wednesday, November 16, 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
Allen Roe, Assistant Secretary

All members of the Board were present, except Director Wilcox, thus constituting a quorum. Also attending all or portions of the meeting were Mr. Rick Lewis of American Enerpower; Mr. Dave Ciarella of Enhanced Energy Services; Ms. Barbara Nussa of Republic Services; Mr. Gary Hastings and Mike Williams of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Matt Froehlich and Ms. Suzanne Blouser of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Mark Cervantes of Van De Wiele & Vogler, Inc., engineer for Merrylands Interests; 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; and Mr. Neil Thomas and Ms. Brenda Presser 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. **Public Comments.** There were no public comments.
2. **Minutes of the meeting of October 19, 2016.** Minutes of the meeting of October 19, 2016, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Cocetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes as presented.
3. **Report and presentation from Enhanced Energy Services.** Mr. Lewis departed the meeting for the presentation by Enhanced Energy Services. Mr. Ciarella discussed general considerations and the District's electric usage history, current energy prices, and reviewed a summary of energy pricing results from eleven providers, a copy of which is attached hereto as *Exhibit B*. Mr. Ciarella stated that the District's current contract with Direct Energy will expire in December 2016 and reviewed options for increased savings to the District.

Mr. Ciarella departed the meeting for the presentation by American Enerpower. Mr. Lewis discussed American Enerpower's previous history with the District, current energy prices, and reviewed a summary of energy pricing results from eleven providers, a copy of which is attached hereto as *Exhibit C*. Mr. Lewis reviewed options for increased savings to the District.

The Board discussed options for the best interest of the District.

Upon motion by Director Cocetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve a 24-month contract with Cirro, at a price of 0.0401 per kwh, as presented by American Enerpower.

4. **Engage auditor to prepare developer reimbursement audit.** Ms. Presser stated the District approved an engagement letter with McCall Gibson Swedlund Barfoot PLLC in March 2016 that includes an evergreen clause that provides for ongoing auditing services for preparation of the District's annual audit. She said that services may be cancelled at any time upon 30 days written notice by either party. No action was taken by the Board on this matter.

5. **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 September, a copy of which is attached hereto as *Exhibit D*. Ms. Guerrero reported that as of October 31, 2016, 99.263% of the District's 2015 taxes and .132% of the District's 2016 taxes had been collected.

Upon motion by Director Cocetti, seconded by Director Roe, 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.

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 E*. Mr. Burton reviewed disbursements from the General Operating Fund and reported that the amounts for check numbers 7034 through 7041 have been left blank pending receipt of invoices for legal fees, garbage, utilities, telephone, water purchase from Harris County Municipal Utility District No. 152, and Special Revenue Fund monthly billing. He then reviewed disbursements from the Capital Operating Fund, and Special Revenue Fund.

He noted the District received \$47,872.70 from Atascocita Joint Operations Board for reconciliation of the budgeted amounts paid by the District for 2016. Mr. Burton also said that check no. 7028 to Public Finance Group, LLC represents payment for preparation of tax calculations and recommendations for 2016 tax levy from the District's financial advisor.

Mr. Burton reported that the budget was amended to reflect zero revenue for Garbage as expenses for garbage are collected and paid from sewer revenue.

Upon motion by Director Cocetti, seconded by Director Roe, 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 in the amounts and for the purposes listed therein, and approve the Amended Operating Budget for 2017.

7. **Annexation of 2.95 acres.** Mr. Thomas reported that documents are under review for approval by the City of Houston for the 2.95 acre annexation. No action is requested of the Board at this time.

8. **Developer's Report.** Mr. Froehlich reviewed the Developer's Report and updated the Board on Harris County Municipal Utility District No. 494 ("494"). He reported that in 494 there are 184 occupied homes, and 67 homes vacant or under construction.

Mr. Froehlich reported that clearing operations are complete on the Merrylands property. He presented and recommended approval of Pay Estimate No. 5 and Final to K&K Tree and Tractor Service for \$195,149.50.

Mr. Froehlich reported that he has not heard back from developer for Eagle Lake Gardens & Nursery regarding reimbursement, but anticipates that reimbursement will occur at the January meeting.

Upon motion by Director Cocetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve Pay Estimate No. 5 and Final to K&K Tree and Tractor Service for \$195,149.50.

9. **Acceptance of 20' Water Line Easement from Walden on Lake Houston Community.** Mr. Froehlich reported that he has not received a response from Walden on Lake Houston Community Services, Inc. ("CSA") (0.0482 acre) on a 20-foot waterline easement that the District requested in connection with the 2.95-acre annexation and in lieu of the replacement and relocation of a boulder in the median landscape project. He stated that he will follow up with CSA.

10. **Approve Assignment of Capacity and Assignment of Trunkline Capacity from Harris County Municipal Utility District No. 494.** Mr. Froehlich stated that pursuant to the Fourth Amended and Restated Waste Disposal Contract and Second Amended and Restated Sanitary Sewer Line Contract, 494 acquires wastewater treatment capacity from the joint sewage treatment plant and wastewater transmission through the District's wastewater trunk line capacity. Mr. Thomas reviewed assignments that evidence the transfer of wastewater treatment and wastewater trunk line capacity to 494, copies are attached and collectively referenced as *Exhibit F*. The bookkeeper confirmed the District's receipt from 494 of \$117,205.00 for wastewater treatment capacity and \$13,310.00 for wastewater trunk line capacity pursuant to the terms of the contracts previously referenced.

Upon motion by Director Cocetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve Assignment of Capacity and Assignment of Trunkline Capacity from 494.

11. **Engineer's Report, including review of Engineer's projects, and capital repairs.** Mr. Froehlich introduced Ms. Suzanne Blouser to the meeting, who is a new employee to BGE. 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 updated the Board on Water Plant No. 2, noting that BGE continues to coordinate with CenterPoint Energy to establish permanent power at the site. He presented and recommended approval of Pay Estimate No. 10 for \$170,460.00 to Gemini Contracting Services for construction of this project.

Mr. Froehlich reported that with the completion of Water Plant No. 2, the District is required to update its Emergency Preparedness Plan and submit to the Texas Commission on Environmental Quality ("TCEQ"). He requested the Board's authorization to prepare the updates and stated that updates will be reviewed with the Board prior to submission to the TCEQ.

Mr. Froehlich reported that BGE has developed a profile of the sanitary sewer line from the end of Hikers Trails to the Harris County Municipal Utility District No. 132 Lift Station and will coordinate with Director Cocetti to review.

Mr. Froehlich reviewed and discussed the District's capacity and equivalent single-family connections. Discussion ensued regarding capacity purchase schedule by 494.

Upon motion by Director Cocetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to: (1) approve the Engineer's Report; (2) approve Pay Estimate No. 10 for \$170,460.00 to Gemini Contracting Services for Water Plant No. 2 construction; and (3) authorize BGE to prepare updates to the District's Emergency Preparedness Plan.

12. **Atascocita Joint Operations Board ("AJOB") report.** Mr. Froehlich reported the driveway culvert replacement and asphalt overlay projects are complete and a final inspection was held yesterday. He stated that Drylet in now being added at the Plant and testing continues.

13. **Discuss insurance policy for sewage back-up and service to Spurlock property.** Director Claytor abstained from participating in this discussion. Mr. Thomas reported there are no updates to report on HARCO's appeal to the claim previously denied by TML related to sewage back-up due to an issue with District facilities. He reviewed the District's policy on sewage back-up and discussion ensued regarding coverage parameters of the policy and recovery options. The Board discussed District's limits on insuring for sewage back-up damages, concerns about future claims, and establishing a reserve to cover future claims. Following discussion, the Board requested that the engineer and operator re-evaluate the area for recurring incidents and requested that NRF contact HARCO to have a representative attend the next meeting.

14. **Discuss Spurlock Sanitary Sewer Easement, potential lawsuit.** Mr. Thomas reported that he has not heard back from Ms. Spurlock since she had requested a contact name to serve notice for suit. Discussion ensued regarding service to the Spurlock property and issues with the installation of a line by Verizon. Mr. Thomas stated that at the Board's direction he is prepared to request that Verizon reach some form of accommodation concerning their cables in the District's easement.

15. **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*. He reported that the District billed 93.2% of its pumped water for the period September 27, 2016, through October 26, 2016. Mr. Hastings reviewed the Termination List and Uncollectible Accounts List, included in the Operations Report, and requested the Board's authorization to transfer five uncollectible accounts to the uncollectible roll.

Upon motion by Director Cocetti, seconded by Director Roe, 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.

16. **Republic Services Report.** The President of the Board recognized Ms. Nussa, who presented to and reviewed with the Board the 2016 October Report, a copy of is attached as *Exhibit I*. Director Roe discussed recurring inconsistencies with heavy trash pick-up. Ms. Nussa stated that she will address issues with the Operation Supervisors.

Director Claytor reported on correspondence from the Commissioner's office for Harris County Precinct 2 regarding recurring damage to curbs by garbage trucks. He requested that Ms. Presser transmit the email from the Commissioner's office to Ms. Nussa for follow-up.

17. **Agreement for Costs for Recreational Improvements.** Mr. Thomas requested the Board's approval for an Agreement for Costs for Recreational Facilities in connection with the Board's approval to contribute \$24,000 for Phases II and III recreational facilities improvements at AMS. Upon motion by Director Soliz, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement for Costs for Recreational Facilities, as presented.

18. **Other matters.** No other matters were presented to or discussed by the Board.

19. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on December 21, 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.

* * *

The foregoing minutes were passed and approved by the Board of Directors on December 21, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

