

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
JULY 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 US LLP, 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. on Wednesday, July 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
Allen Roe, Assistant Secretary

All members of the Board were present, except Director Wilcox. Also attending all or portions of the meeting were Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; Ms. Barbara Nussa of Republic Services, Inc.; 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; 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. **Minutes of the meeting of June 15, 2016.** Minutes of the meeting of June 15, 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.
2. **Public Comments.** There were no public comments.
3. **Republic Services Presentation/Introduction.** President Claytor recognized Ms. Nussa, the District's representative for solid waste collection services for Republic Services. Ms. Nussa introduced herself as the District's contact and invited feedback on trash collection services in the District. Director Cocetti discussed the recycle pick-up program and requested that data be collected to determine if the current program is adequate for the District or if other options should be explored. It was noted that heavy trash pick-up day is inconsistent. Ms. Nussa stated that she will look into these issues.

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 June, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that as of June 30, 2016, 98.6% of the District's 2015 taxes had been collected.

Ms. Guerrero reviewed the Delinquent Tax Report from the District's delinquent tax attorney and noted collection has begun on 2015 accounts unpaid on July 1, 2016. She reported that collection of 2016 taxes will be reflected on the Tax Assessor-Collector's Report after the District's tax is levied in the Fall.

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.

5. **Approve audit for fiscal year end March 31, 2016.** The President recognized Ms. McCain, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2016, a copy of which is attached hereto as Exhibit "C."

Ms. McCain presented to and reviewed with the Board the management letter noting material weaknesses in the District's internal controls over financial reporting, which is substantially the same as the material weakness letter received by other districts, a copy of which is attached hereto as Exhibit "C-1." She noted that the management letter includes a draft response by the Board which is substantially the same as the previous year.

Ms. McCain stated that she was unable to confirm Director Alan Waters' resignation from the Board. The Board reported that Director Waters moved out of the District, no longer owns property in the District, and serves as a trustee for a community college district.

Director Cocetti requested that in next year's report the auditor include the key changes of certain line items from the prior year.

Director Soliz discussed checks and balances on use of information received relating to the audit.

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 draft of the audit for the District for fiscal year ending March 31, 2016, and to approve the Board's response in the management letter.

6. **Approve Continuing Disclosure Report and Authorize Filing.** The President recognized Mr. Thomas, who reported that the Continuing Disclosure Report is an annual requirement of the District's bonds which updates the bondholders on the status of the District. He reported that the District's financial advisor prepares the Continuing Disclosure Report upon receipt of the final audit. He requested that the Board authorize Public Finance Group LLC to prepare and file the District's Continuing Disclosure Report. Upon motion by Director Concetti, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Public Finance Group LLC to prepare and file the District's Continuing Disclosure Report.

7. **Approve Municipal Risk Management Group Annual arbitrage rebate and yield restriction report.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Municipal Risk Management Group Annual Maintenance Arbitrage Analysis Report, originally dated May 7, 2008 (the "Report"), a copy of which is attached hereto as Exhibit "D." Mr. Burton stated that the District Unlimited Tax Refunding Bonds, Series 2016 was added to the Report. He stated the District is in compliance and no action is required by the Board.

8. **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 check numbers 6819 through 6823 have been left blank pending receipt of invoices for utilities, telephone, water purchase from Harris County Municipal Utility District No. 152 and garbage services. He then reviewed disbursements from the Capital Operating Fund, and Special Revenue Fund.

Upon review of the Account Balances, Mr. Burton reported that Certificates of Deposit were purchased for the General Operating Fund at Unity National Bank and Independent Bank.

Discussion ensued regarding AWBD conference sessions.

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, and to authorize payment of the checks in the amounts and for the purposes listed therein.

9. **Developer's Report.** Mr. Froehlich reviewed the Developer's Report, which is a part of the Engineer's Report and updated the Board on Harris County Municipal Utility District No. 494 ("No. 494") and reported that there are 147 occupied homes and 75 homes vacant or under construction. He stated that the flow from No. 494's lift station has been re-routed, as planned, to the District's Lift Station No. 4. Discussion ensued regarding restrictions to No. 494's water supply if triggers occur to encourage water conservation. Director Roe stated that he has been experiencing low water pressure at his house. Mr. Froehlich discussed spikes and useage affecting water pressure. Director Roe confirmed that he changed his lawn irrigation schedule and low water pressure issue was resolved.

Mr. Froehlich reported that clearing operations continue on the Merryland's tract. He then presented and requested approval of Pay Estimate No. 4 for \$127,665.00 to K&K Tree and Tractor Service for clearing. Mr. Cervantes updated the Board on the progress of the Merryland's interest and reported that trees have been removed and plans for the first section have been sent to BGE for review and comments.

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 Developer's Report and to approve Pay Estimate No. 4 for \$127,665.00 to K&K Tree and Tractor Service for clearing.

10. **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 "F."

Mr. Froehlich reported that the contractor is slowly progressing at Water Plant No. 2, stating that the hot weather is delaying completion of the interior coating of the GST. He reported the well pump is scheduled to be shipped by July 27th and installed the second week of August. He then discussed monitoring the weather and Well No. 1 run times to determine if a temporary configuration to produce some amount of water ahead of completion is necessary. BGE is coordinating with District's Operator on triggers to determine activation of the District's Drought Contingency Plan. Mr. Froehlich presented and recommends approval of Pay Estimate No. 6 for \$203,400.00 to Gemini Contracting Services for construction of this project.

Mr. Froehlich reported that restoration of the medians on West Lake Houston Parkway stating that BGE met with Ms. Mazzie Salazar with Custom Landscaping & Design to review the medians and search for the irrigation system. No evidence of irrigation system nor irrigation meters were found and Ms. Salazar is unable to many any repairs and move forward under the current weather conditions without the presence of an irrigation system. Mr. Froehlich reported that he received a quote from Walden on Lake Houston Community Services Association's ("WLH CSA") landscaper for restoration of the medians that included installation of an irrigation system in the amount of \$60,000. Discussion ensued regarding restoration and it was the consensus of the Board to restore damaged medians to the standards that were in place at the time of the damage and decline to install an irrigation system where one did not exist. Mr. Froehlich stated that he will continue to coordinate with WLH CSA to complete the restoration project in compliance with the Board's consensus.

Mr. Froehlich reported on the cleaning and televising of the sanitary sewer along Nehoc Drive and Hikers Trail Drive is complete, and no major defects were discovered. He noted that two segments could not be televised because a couple of manholes could not be located and BGE is coordinating with ST to complete these segments. Mr. Froehlich then presented and recommended payment of Invoice 1117557 to Severn Trent Services for \$13,660.98 for sewer cleaning and inspection completed to date. Discussion ensued regarding a routine maintenance/cleaning schedule for District lines.

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: (1) approve the Engineer's Report; (2) approve Pay Estimate No. 6 for \$203,400.00 to Gemini Contracting Services for Water Plant No. 2 construction; and (3) pay Invoice 1117557 to Severn Trent Services for \$13,660.98 for sewer cleaning and inspection.

11. **Atascocita Joint Operations Board ("AJOB") report.** Mr. Froehlich reported that AJOB approved a contract with Triumph Parking Lot Maintenance for \$59,800.50 for milling and resurfacing asphalt pavement at the WWTP. Mr. Froehlich reported that BGE is contacting South Texas Utilities & Underground and Camino Services for a quote on the driveway culvert project.

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 "G." Mr. Hastings reviewed the Termination List included in the Operations Report.

Mr. Hastings discussed installation of a sanitary sewer line and interference by a cell phone service line that prevents installation. He reported that MOC has requested Ms. Spurlock to provide evidence of consent for installation of cell phone service line and no response has been received. He asked that NRF prepare and transmit a letter requesting the

company that owns the cell phone tower to move their line.

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 authorize NRF to prepare a letter to the company that owns the cell phone tower requesting that their service line be moved.

13. **Other matters.** Mr. Hastings discussed sewer back-up and insurance settlement claims. Mr. Thomas noted that Director Claytor has executed an Abstention Affidavit, a copy of which is attached as Exhibit "H, and will not participate in the discussion because he owns property and is a party to a claim for reimbursement for sewer back-up. Mr. Hastings reviewed historical information and settlement of payments from the first sewer back-up. He then discussed the second sewer back-up that occurred in January and settlement with two customers. He stated there is a rider to the District's policy that excludes coverage of loss if the loss is caused by any weather related event for which Federal or State financial assistance is available. Discussion ensued regarding making payments to District customers for losses sustained from sewer back-up, coordinate with HARCO to appeal to TML on denial of payment due to settlement. 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 and authorize payment to TML, reimburse the two residents for their claims, subject to such residents' assigning their right to reimbursement to the District. Upon receipt of payment from TML, the District will be reimbursed for funds distributed for sewer back up claims' payments.

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


Vice President, Board of Directors

ATTEST:

Secretary, Board of Directors

