

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
AUGUST 16, 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, August 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 Directors Claytor and Roe. 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 July 20, 2016.** Minutes of the meeting of July 20, 2016, 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. **Republic Services Report and Fee Increase; Consider Rate Order Amendment.** Vice President Soliz recognized Ms. Nussa, the District's representative for solid waste collection services for Republic Services. Ms. Nussa reported on calls received from District customers. She also reported on Director Cocetti's request from last month and stated there is a 70% participation rate on recycling in the District averaging approximately 24 tons per month. Director Cocetti discussed weight and tonnage pick-up of recycled materials to determine if the current program is sufficient or if additional days or carts are necessary. Ms. Nussa stated that additional carts are now available for an additional cost.

Mr. Thomas discussed the notice from Republic regarding a rate increase pursuant to CPI annual guidelines for goods and services. A copy of Republic's rate increase letter is attached hereto as "Exhibit B." Ms. Nussa noted the increased rates were effective as of August 1, 2016. Discussion ensued regarding contract terms related to rate increases. Mr. Thomas stated that the terms of the

District's agreement with Republic allows for an annual increase pursuant to the CPI-U index and does not require action by the Board. He discussed amending the District's Rate Order to adjust the sewer rate to absorb the increase.

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 amend the District Rate Order to adjust the sewer rate to absorb the cost of the garbage services rate increase.

4. Consider Financial Advisor's tax rate recommendations and Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection With the Levy of a Tax for 2016. Mr. Thomas reported the District's financial advisor notified him that tax recommendations will be presented in September and no action is requested at this time.

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 July, a copy of which is attached hereto as *Exhibit "C."* Ms. Guerrero reported that as of July 31, 2016, 98.7% of the District's 2015 taxes had been collected. Ms. Guerrero reported that a 2016 certified tax roll has not been received. 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.

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 "D."* Mr. Burton reviewed disbursements from the General Operating Fund and reported that check numbers 6874 through 6879 have been left blank pending receipt of invoices for utilities, telephone, water purchase from Harris County Municipal Utility District No. 152, garbage services and Special Revenue Fund monthly billing. He then reviewed disbursements from the Capital Operating Fund, and Special Revenue Fund. Mr. Burton noted check no. 6834 for \$44,112.44 to Mr. Samuel Claytor for sewer backup reimbursement and check no. 6858 for \$14,052.50 to Custom Landscaping & Design for median landscape restoration.

Upon review of the Account Balances, Mr. Burton reported that a Certificate of Deposit was purchased for the General Operating Fund at First State Bank.

Discussion ensued regarding TML's denial of payment of Mr. Claytor's insurance claim for flooding due to sewer back-up. Mr. Thomas reported that TML rejected the payment because they determined the flooding was an act of God and not a result of sewer back-up. He stated that HARCO appealed TML's decision to deny the claim because the pumps were not operating due to rehabilitation of a lift station and the denial is being re-considered. The Board discussed reasons for the denial and remedies or protection the District has for similar events in the future.

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 Bookkeeper's Report, and to authorize payment of the checks in the amounts and for the purposes listed therein.

7. 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"). He reported that there are 159 occupied homes, and 75 homes vacant or under construction in 494.

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 "E."*

Mr. Froehlich reported that, as weather permits, the contractor continues exterior coating of the GST at Water Plant No. 2. He reported the control building is complete, the generator is installed, the well pump arrived, and is being tested. Mr. Froehlich presented and recommends approval of Pay Estimate No. 7 for \$74,520.00 to Gemini Contracting Services for construction of this project. He reported that the CenterPoint Energy ("CenterPoint") is requesting the District grant an Electric Easement to CenterPoint to provide power and install the transformer. A copy of the Electric Easement is attached hereto as Exhibit "E-1." He stated the Electric Easement has been reviewed by BGE and NRF, and he recommends approval of the Electric Easement.

Mr. Froehlich reported that weather permitting, Custom Landscaping and Design plans to begin work on repairing the irrigation system tomorrow, followed by restoration of the landscaping. He stated that Custom Landscaping and Design requested a down payment in the amount of \$14,052.50, which is 50% of the total cost of the project, for materials to begin the work. He noted this payment was approved under the bookkeeper's report. Discussion ensued regarding dedication of an easement to the District upon completion of the work. Mr. Froehlich stated that he will continue to coordinate with Walden of Lake Houston Community Service Association ("WLH CSA") to complete the restoration project in compliance with the Board's consensus.

Mr. Froehlich updated the Board on the status of the 20' Water Line Easement from WLH CSA, noting the WLH CSA Board is awaiting progress on the West Lake Houston Parkway median restoration prior to approving the easement.

Mr. Froehlich reported that the contractor completed the television inspection of the remaining sewer on Nehoc Drive as well as the downstream segment from the discharge manhole on Mallardcrest Drive. He stated no defects were noted on the Nehoc sewers, but the downstream segment on Mallardcrest showed moderate deterioration that may need to be addressed along with or after the rehabilitation of the discharge manhole. He presented and recommended payment of Invoice No. 1117862 for \$3,166.69 to Severn Trent for work completed to date. He requested approval of a quote from Boyer, which is attached to the Engineer's Report, for rehabilitating the force main discharge manhole on Mallardcrest at Aquatic for \$23,545.00. He explained the discharge manhole will be repaired in place, and only one of the three discharge manholes show deterioration requiring repair.

Mr. Froehlich presented Water Plant No. 1 Stormwater Quality Renewal Permit Application documents for the Board's execution and noted expiration on October 10, 2016.

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. 7 for \$74,520.00 to Gemini Contracting Services for Water Plant No. 2 construction; (3) accept and authorize execution of Electric Easement to CenterPoint; (4) approve pre-payment deposit to Custom Landscaping and Design for \$14,052.50 for landscape restoration of the median on West Lake Houston Parkway; (5) pay Invoice 1117862 to Severn Trent Services for \$3,166.69 for sewer cleaning and inspection; (6) approve rehabilitation of the force main discharge manhole by Boyer on Mallardcrest at Aquatic for \$23,545.00; and (7) approve and authorize execution of Water Plant No. 1 Stormwater Quality Renewal Permit Application documents.

9. Atascocita Joint Operations Board ("AJOB") report.

Mr. Froehlich reported that AJOB awarded construction contracts for asphalt paving overlay and driveway culvert replacement. He noted that a kickoff meeting for the second round of DryLet testing is scheduled for August 29th.

10. **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 included in the Operations Report.

Mr. Hastings discussed trigger points, usage and optional remedies to defer activating the District's Drought Contingency Plan prior to Water Plant No. 2 becoming operational. He stated that it will be about six to eight weeks for Water Plant No. 2 to be fully functional and operating.

Mr. Hastings reported that two fire hydrants in the District are currently out of service and need to be replaced at a cost of approximately \$5,000.00 each. He also reported that the District paints their fire hydrants every three years and noted it has been three years since the last painting. Discussion ensued regarding color and it was the consensus of the Board to maintain the current color.

Mr. Hastings reported on correspondence received from by Director Cocetti with concerns about a vacuum truck in the District. Workers stated they were "cleaning out the sewer." Mr. Hastings confirmed the vacuum truck belonged to SourcePoint and they were cleaning the District's lift stations, as they do on a regular basis.

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 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.

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

12. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on September 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.

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



President, Board of Directors

ATTEST:



Secretary, Board of Directors

