

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
September 20, 2017

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 special session, open to the public, at the offices of Norton Rose Fulbright US LLP, 1301 McKinney St., Ste. 5100, Houston, Texas 77010, at 11:30 a.m. on Wednesday, September 20, 2017, 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 Cocetti, thus constituting a quorum. Also attending all or portions of the meeting were Mr. Larry Tucker, President of Walden on Lake Houston Community Services Association ("Walden CSA"); Ms. Linda Hubble of Public Finance Group, financial advisors for the District; Ms. Barbara Nussa of Republic Services; Mr. Mike Williams of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Matt Froehlich of BGE, Inc. ("BGE"), engineers for the District; Mr. Mark Cervantes of Van De Wiele & Vogler, Inc., engineer for Merrylands Interests; Mr. Cory Burton of Municipal Financial Services ("MA&C"), bookkeepers 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 August 16, 2017.** Minutes of the meeting of August 16, 2017, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Wilcox, 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. **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 2017.** The President recognized Ms. Hubble, who presented to and reviewed with the Board the Comparison of Historical Assessed Valuations and Tax Rates, a copy of which is attached hereto as *Exhibit B*. Ms. Hubble recommended a total tax rate of \$0.4510 of which she recommended that \$0.3370 be set as a debt service tax rate and \$0.1140 be set for operations and maintenance of District facilities.

Mr. Thomas presented to the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2017, a copy of which is attached hereto as *Exhibit C*. Mr. Thomas informed the Board that this Order authorizes the tax assessor to publish in a newspaper of general circulation in the District a notice of the proposed tax rate and information on the public hearing on the tax rate. Ms. Guerrero confirmed that the notice of the public hearing will be published in *The Atascocita Observer* on October 18, 2017.

Upon motion by Director Wilcox, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to propose a tax rate of \$0.4510, of which \$0.3370 would be for debt service and \$0.1140 would be for maintenance and operations, and to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connections with the Levy of a Tax for 2017, authorizing the tax assessor to publish the proposed tax rate.

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 D*. Ms. Guerrero reported that 98.9% of the District's 2016 taxes had been collected as of July 31, 2017. Upon motion by Director Roe, 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.

Mr. Thomas mentioned that because the District was in an area declared a disaster, the District can seek re-appraisal from the Harris County Appraisal District ("HCAD"). Discussion ensued regarding value for damaged and undamaged properties. Mr. Thomas stated that a re-appraisal of the District would be forward from the date of the disaster and that the assessed value for the first eight months of this year will remain the same. He noted that only taxing units can request that a re-appraisal of damaged property be applied and that otherwise property would be re-appraised as of January 1, 2018. Discussion ensued regarding damages, cost of the re-appraisal, and benefit to the District as a whole and to taxpayers. It was the consensus of the Board to defer action until next month's meeting.

5. Review Amended and Restated Code of Ethics and Investment Policy, make desirable changes thereto, and accept related party disclosures from Investment Officer and Bookkeeper. Mr. Thomas presented and requested the Board's approval of a Resolution Reviewing Code of Ethics and Investment Policy and Making any Desirable Changes Thereto, a copy of which is attached hereto as *Exhibit D*. He noted that the District's Code of Ethics and Investment Policy have been amended to reflect legislative changes resulting from the Texas Legislature's 85th Regular Session. Upon motion by Director Wilcox, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Reviewing Amended and Restated Code of Ethics and Investment Policy and Making Desirable Changes Thereto.

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 reviewed disbursements from the General Operating Fund and the Special Revenue Fund.

Mr. Burton reported that, in response to the Board's previous request, no blank checks are presented for approval for invoices that are received for payment in between meetings. He

stated that the estimated cost for penalties for late payments is estimated at \$600.00 per month. Discussion ensued regarding alternative options to avoid late payments and blank checks. The Board was unable to attain a satisfactory alternative option. Mr. Burton confirmed that he will continue to negotiate with those accounts that require payment in between meetings to avoid late fees.

Upon motion by Director Roe, 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 Report and updated the Board on Harris County Municipal Utility District No. 494 ("494").

He reported there are 258 occupied homes and 78 that are vacant or under construction in The Bridges on Lake Houston. He discussed a request from 494's engineer to confirm the total due to the District and a letter requesting payment of 494's ultimate capacity in the District's systems. Mr. Froehlich said that, with the Board's authorization, BGE will prepare the letter on the Board's behalf.

Mr. Froehlich reported on another discussion with 494's engineer regarding an additional point of connection between the District and the 494 water systems at West Lake Houston Parkway and Will Clayton Parkway at the entrance to The Bridges on Lake Houston. He stated that the additional connection would provide redundancy in the system to allow the Operator to better maintain service if there is a line break in certain areas. Mr. Froehlich confirmed that 494 will pay for the project and is ready to move forward, pending receipt of a no objection from the District. He said that BGE has no objection to the additional connection and requested that the Board authorize BGE to prepare a letter of no objection to 494.

Mr. Froehlich reported that the design engineer has requested the Board's consideration and execution of a document to Harris County stating the District's intent to operate and maintain Merrylands' detention basins and storm water quality feature. He presented and requested approval of a maintenance acknowledgement letter from the District to Harris County, a copy of which is attached as *Exhibit G*.

Upon motion by Director Wilcox, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to: (1) authorize BGE to prepare a letter to 494 requesting payment for the remaining capacity to be purchased within the District's system; (2) approve the additional connection between the District's and 494's water systems and authorize BGE to prepare a letter of no objection to 494; and (3) approve and authorize execution of the maintenance acknowledgement letter to Harris County for the proposed Merrylands detention basins and storm water quality feature.

8. **Update on eminent domain proceeding for detention pond.** Mr. Froehlich stated there are no updates to report.

9. **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 H*.

Mr. Froehlich presented and recommend approval of an electrical service agreement from Cirro Energy for electrical service at Water Plant No. 2. He reported that upon receipt of the executed contract, Cirro Energy will notify CenterPoint Energy to install the meter and activate service.

Mr. Froehlich updated the Board on the final report on the smoke testing. He said that 32 defects or leaks were identified across more than 25,000 linear feet tested, of which about half appear to be on service lines or on back lot sewer laterals. BGE will coordinate with the Operator and contractor on a plan to televise line defects, address defects at manholes, and contact residents with service line defects. The Board discussed actions to insure property owners address and repair identified defects on service lines. Discussion ensued regarding additional actions to determine the unidentified issues. Mr. Froehlich stated that he will send the results of the smoke testing to TML.

Mr. Froehlich reported that a recent inspection of the Hydro-Pneumatic Tanks ("HPT") at Water Plant No. 1 was completed. He stated that HPT No. 3 is in need of rehabilitation within the next two to three years and could be included in the welded GST rehabilitation project if the Board so desires.

Mr. Froehlich reported that the District received the annual permit renewal request for information from the City of Houston, a copy of which is attached to the Engineer's Report. He stated that a response is due by October 14, 2017, and requested that the Board appoint a director for BGE to confer with so that the response to the City will be submitted by the requested date. Director Wilcox volunteered to be the point person and the remainder of the Board concurred.

Upon motion by Director Wilcox, 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 and authorize execution of an electrical service agreement with Cirro Energy; and (3) authorize BGE to confer with Director Wilcox regarding a potential adjustment to the City of Houston well permit amount and authorize BGE to prepare a response to the City of Houston regarding the well permit amount.

10. Accept Public Access & Utility Easement, 40' Sanitary Sewer Easement, 30' Storm Sewer Easement and Detention Easement. Mr. Froehlich reported that Academy's engineer is requesting the Board's acceptance of several easements related to Merrylands, Section One:

1. Public Access and Utility Easement for four parcels at the end of dead-end streets that will be continued in Section 2. Mr. Froehlich recommend that the District accept the Public Access and Utility Easement, subject to final review by BGE.

2. Sanitary Sewer Easement is requested for a proposed sewer through future Section 2 out to West Lake Houston Parkway, but is being constructed as part of Section 1. Mr. Froehlich reported that Academy's engineer is revising the easement and proposed sewer alignment and BGE requested that the Board accept the Sanitary Sewer Easement, subject to receipt, review and approval by BGE and the District's attorney of the revised easement documents.

3. Storm Sewer Easement is requested for a proposed sewer under the railroad and the Grantor is Union Pacific Railroad Company. BGE recommends that the Board

accept the Storm Sewer Easement, subject to confirmation of approval of the proposed storm sewer crossing by Union Pacific Railroad Company.

4. **Detention Easements** are requested for the proposed detention basin and storm water quality feature. BGE recommends that the Board accept these Detention Easements, subject to a resolution of permanent access to the detention basin and storm water quality feature, receipt, review and approval of final easement documents by BGE and the District's attorney.

Upon motion by Director Wilcox, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to: (1) accept the Public Access and Utility Easement, subject to final review by BGE; (2) accept the Sanitary Sewer Easement, subject to receipt, review and approval by BGE and the District's attorney of the revised easement documents; (3) accept the Storm Sewer Easement, subject to confirmation of approval of the proposed storm sewer crossing by Union Pacific Railroad Company; and (4) accept the Detention Easements, subject to a resolution of permanent access to the detention basin and storm water quality feature, and receipt, review and approval of final easement documents by BGE and the District's attorney.

11. **Atascocita Joint Operations Board ("AJOB") report.** Mr. Froehlich reported that the Plant performed properly and remained within permit through Hurricane Harvey. He stated that the average daily flow for August was 50% above normal and the one-day peak was 367% above normal.

Mr. Froehlich reported that Drylet continues the addition of product at the Plant and collecting effluent data.

12. **Approve Amended and Restated Emergency Water Supply Agreement with Harris County Municipal Utility District No. 132.** Mr. Thomas stated that the attorney for Harris County Municipal Utility District No. 132 ("132") has prepared an updated interconnect agreement for consideration by the Boards of both the District and 132, a copy of which is attached as *Exhibit I*. Mr. Froehlich reported that 132 approved a quote of \$20,335.76 to re-establish the interconnect, with each District splitting the cost equally. Upon motion by Director Wilcox, seconded by Director Roe, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amended and Restated Emergency Water Supply Agreement with Harris County Municipal Utility District No. 132, as presented.

13. **Operator's Report and hearing on delinquent accounts.** Mr. Williams presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as *Exhibit J*. He reported that the District billed 94.1% of its pumped water for the period ending August 23, 2017. Mr. Williams reviewed the Termination List and Uncollectible Accounts List, included in the Operations Report.

Mr. Williams reported that employees of MOC remained onsite to manage District facilities during the storm. He stated that Lift Station Nos. 1 and 3 lost power on Tuesday night, August 29, 2017, and, except for that night, all Lift Stations were operational throughout Hurricane Harvey. He noted that MOC office staff remained at MOC's office for six days, 24 hours each day to answer customer calls.

Mr. Williams reviewed the delinquent list and requested that the Board authorize submitting two accounts for collection. He discussed a variance for delinquent accounts this

month due to Hurricane Harvey recovery. He recommended issuing letters and hanging door tags for delinquent accounts, and waive termination of service for unpaid delinquent accounts. Discussion ensued.

Upon motion by Director Wilcox, 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, authorize submission of two accounts for collections, and to waive termination of service for unpaid delinquent accounts for one month.

14. **Discuss the filing of a voluntary event notice regarding Hurricane Harvey, and take any necessary action.** The President recognized Mr. Thomas who reported there was some uncertainty in the market due to damaged areas from Hurricane Harvey. He said that Districts that had encountered significant damage have filed a voluntary event notice to provide bondholders with information on the extent of damage for those Districts. Ms Hubble reported that most calls received on District status are from bond insurance companies and rating agencies, noting that no calls were received for the District. Discussion ensued. It was the consensus of the Board to decline filing a voluntary event notice.

15. **Discuss claims to insurance policy for sewage back-up.** An update on this matter discussed under the Engineer's Report.

16. **Republic Services Report and notice of rate increase.** The President of the Board recognized Ms. Nussa, who discussed with the Board the August 2017 Report. A copy of the report is attached as *Exhibit K*. Ms. Nussa reviewed and confirmed the various service scenarios requested by the Board for preparation of pricing quotes that will be presented next month.

Ms. Nussa discussed debris pick-up. Mr. Tucker reported that State Representative Huberty sponsored and funded debris disposal for a designated period. He stated that Walden CSA is paying the cost for disposal of the remainder of the debris. Ms. Nussa offered to perform a site check and provide Walden CSA with a quote for disposal of the remainder of the debris.

17. **Discuss solid waste and recycle collection services.** There was no discussion on this matter.

18. **Other matters.** There were no other matters presented to the Board.

19. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on October 18, 2017, at 11:30 a.m. or at such time as a quorum is established, at the offices of Norton Rose Fulbright, 1301 McKinney, Ste. 5100, 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 October 18, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

