

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
May 17, 2017

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 St., Ste. 5100, Houston, Texas 77010, at 11:30 a.m. on Wednesday, May 17, 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. Also attending all or portions of the meeting were Mr. Tom Mraz of HARCO; Mr. David Raines of TML; Ms. Kay Serventi of Republic Services; Mr. Mike Williams of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Matt Froehlich and Ms. Susana Blauser 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. **Update on appeal on claim to insurance policy for sewage back-up.** Director Claytor abstained from the discussion as he is a party to the claim under discussion, and it was noted that an affidavit of interest was on file. Mr. Thomas recognized Mr. Mraz to discuss the status of appeals on the District's claim from April 2016 as filed on the District's supplemental Sewage Back-up Policy provided by TML (the "Sewage Policy"). Mr. Mraz introduced Mr. Raines and stated that he was invited to the meeting to respond to the Board's questions relating to the claim denial on behalf of TML. He reported that the claim filed on the Sewage Policy was denied because for the date for which the claim was made, Federal disaster assistance was available in Harris County for flood damage and availability of federal assistance overrides payments under the Sewage Policy. Discussion ensued. Mr. Thomas reviewed the history of events/actions performed to determine a source for recurrences. Mr. Froehlich noted the next step is smoke testing the line to determine undetected issues, if any. Mr. Thomas discussed filing the claims under General Liability coverage, noting all occurrences are due to probable defect in the District's sewer collection system. Mr. Raines noted that if the District submits a claim under its General Liability policy, TML will review. Messrs. Raines and Mraz departed the meeting.

Discussion ensued regarding the structure of TML and the role of HARCO in the claims process. Mr. Thomas reported that TML does not cancel insurance, except in the case of non-payment. He also explained the pooling concept of TML.

No action was taken by the Board.

3. **Minutes of the meeting of April 19, 2017.** Minutes of the meeting of April 19, 2017, 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.

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 April, a copy of which is attached hereto as *Exhibit B*. Ms. Guerrero reported that 97.9% of the District's 2016 taxes had been collected as of April 30, 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 approve the Tax Assessor-Collector's Report and to authorize the expenditures listed therein.

5. **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 C*. Mr. Burton reviewed disbursements from the General Operating Fund and reported that the amounts for check numbers 7302 through 7306 have been left blank pending receipt of invoices for garbage, utilities, telephone, and water purchase expense from Harris County Municipal Utility District No. 152. He then reviewed disbursements from the Capital Operating Fund and Special Revenue Fund.

Director Soliz noted that all of the Directors, except Director Cocetti, met with the principal and other attendees at Atascocita Middle School to view the results of the District's contribution to the soccer field improvements and participate in media photographs with soccer team members. None of the Directors sought per diems for attendance at the event.

Mr. Burton reviewed the Cash Flow Forecast and noted that, based on the engineer's projections, some of the projects listed under Capital Outlay were moved from 2018 to 2019.

Upon motion by Director Wilcox, seconded by Director Soliz, 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.

6. **Amendment of contract with Municipal Accounts & Consulting for bookkeeping services.** Mr. Burton presented and reviewed amendments to the Amended and Restated Agreement for Bookkeeping Services with Municipal Accounts & Consulting, L.P., a copy of which is attached hereto as *Exhibit D*. 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 amendments to the Amended and Restated Agreement for Bookkeeping Services, as presented.

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 that there are 226 occupied homes and 109 homes vacant or under construction.

Mr. Cervantes reported that bids were received for construction of water, sanitary sewer and drainage facilities to serve Merrylands, Section One. He stated the contract was awarded to Kenneth Lamb Construction Company, Ltd. in the amount of \$4,185,855.40.

8. **Update on eminent domain proceeding for detention pond.** Mr. Thomas reported that the developer had contacted NRF to assist with eminent domain proceedings for lots affecting the detention pond in which the lot owners could not be located. There are no further 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 E*.

Mr. Froehlich reported that construction is complete at Water Plant No. 2 (the "Plant") and updated the Board on CenterPoint's progress to provide permanent power to the Plant. He presented and recommended approval of Pay Estimate No. 13 for \$106,875.00 to Gemini Contracting Services and the final Terms and Conditions for Underground Electric Service from CenterPoint Energy for the portion of underground electric connections to be installed within the plant site. Mr. Froehlich noted that an easement for installation for on-going access for maintenance will be required.

Mr. Froehlich updated the Board on the proposed sanitary sewer smoke testing in Olympic Village, which is scheduled to start after Memorial Day. Discussion ensued on notification to residents. Mr. Froehlich responded that BGE will notify the fire department to field calls from residents reporting residual smoke sitings. Door hangers will be distributed.

Mr. Froehlich reported that the Operator for Harris County Municipal Utility District No. 132 ("MUD 132") inquired about installation of a new valve along Pinehurst Trail Drive to serve as the interconnect point, which will allow the current District connections south of FM 1960 to be served and billed by MUD 132. Discussion ensued.

Mr. Froehlich reported that the Storm Water Quality Permit for the Waterhaven site expired on May 2, 2017, and noted the renewal application is submitted for the Board's execution.

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: (1) the Engineer's Report; (2) Pay Estimate No. 13 for \$106,875.00 to Gemini Contracting Services; (3) the final Terms and Conditions for Underground Electrical Service from CenterPoint Energy for the portion of underground electric to be installed within the plant site; (4) the request from MUD 132 to install valve to serve and bill its customers; and (5) the execution of the documents for the Waterhaven Storm Water Quality permit renewal application.

10. **Atascocita Joint Operations Board ("AJOB") report.** Mr. Froehlich reported the second round of DryLet testing is complete, and that BGE prepared and presented a technical memorandum to AJOB regarding the testing results and economic impact related to the reduction in sludge production. Estimated annual savings are approximately \$15,000. He stated that AJOB authorized proceeding with the application through 2017, and monitoring the results to determine if additional savings offset costs to continue the application in 2018.

Director Cocetti reported on his suggestion to AJOB to reduce the budget for capital improvement projects to zero dollars and to pay for these projects from the reserved funds.

Director Cocetti also reported on and commended ST, BGE, and Drylet on their combined efforts for testing and analyzing positive results.

11. **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 F*. He reported that the District billed 96.2% of its pumped water for the period ending April 24, 2017. Mr. Williams reviewed the Termination List and Uncollectible Accounts List, included in the Operations Report, and requested the Board's authorization to transfer four uncollectible accounts to the uncollectible roll.

Mr. Williams next reviewed the Consumer Confidence Report and requested the Board's authorization to distribution, pending attorney's final review. Director Soliz discussed adding a link in the customer bills to give residents an opportunity to view the Water Quality Report. Ms. Presser noted that she will follow up with the District's web manager.

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; to terminate the delinquent accounts in accordance with the District's Rate Order, to authorize sending four accounts to the uncollectible roll, and to authorize distribution of the Consumer Confidence Report, subject to any final comments from NRF.

12. **Consider Insurance renewal (expires 7/1/18).** It was the consensus of the Board to defer this item to the District's next meeting.

13. **Republic Services Report.** The President of the Board recognized Ms. Serventi, who discussed with the Board the April 2017 Report, a copy of which is attached as *Exhibit G*. Ms. Serventi noted

Director Soliz stated that he reviewed the report and noted that most items were manufacture issues and not service problems.

14. **Other matters.** Director Soliz reported that he had contacted the District's web manager to request his attendance at a meeting to explain the services provided and that may be available to the District, but, the web manager was not available to attend for at least four months. Director Soliz discussed retaining the current service provider for maintenance of the District's web site or seeking additional vendors. No action was taken by the Board.

15. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on June 21, 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 June 15, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

