

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
June 15, 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 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 Thursday, June 15, 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. Mark Burton and Ms. Kathryn Foss of Municipal Financial Services; Mr. Tom Mraz of HARCO; Ms. Kim Courte of Arthur J. Gallagher Waterworks Insurance Network; Mr. Chris Gandy and Ms. Barbara Nussa of Republic Services; Mr. Mike Williams of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Ms. Susana Blausler of BGE, Inc. ("BGE"), engineer for the District; Mr. Mark Cervantes of Van De Wiele & Vogler, Inc., engineer for Merrylands Interests; Ms. Cynthia Colondres of Municipal Financial Services ("MA&C"), bookkeepers for the District; Ms. Lina Loaiza 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.** Ms. Presser reported that representatives of Municipal Financial Services are attending today's meeting to follow up on their presentation to the Board in April. The President recognized Mr. Mark Burton, who recapped the previous presentation related to services for capturing the District's financial, operational and tax data to provide an analysis of the District's financial picture. He opened the floor for questions from the Board. Discussion ensued regarding selection of districts used to collect data for the analysis for comparison to the District. Ms. Foss reported on the methodology for data criteria and Mr. Burton reported on the scope, noting that the age of a District is a primary factor for comparison. The Board inquired about cost, which is \$4,000.00 with a set-up fee of \$1,750.00. Discussion ensued regarding how to use the analysis to the District's benefit. No action was taken by the Board at this time.

2. **Minutes of the meeting of May 17, 2017.** Minutes of the meeting of May 17, 2017, 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. **Presentation of insurance renewal proposals.** The Board inquired about required insurance coverage and Mr. Thomas explained the types of insurance generally considered by districts and available liability coverage.

The President recognized Ms. Courte, who presented and reviewed a proposal from Arthur J. Gallagher, a copy of which is attached as *Exhibit B*. Ms. Courte explained the criteria for comprising the proposal and reviewed the policies for coverage. She noted that TML offered the lowest deductibles for property coverage, and recommended that the District remain with TML for property coverage. Discussion ensued regarding coverage for underground lines, mature facilities, reserves for failure and/or replacement of facilities that have reached their maximum service, supplemental sewer back-up coverage and vendor comparisons. After a full discussion, Ms. Courte departed the meeting.

Mr. Mraz updated the Board on the status of the re-filing of the claim previously denied under the supplemental sewer back-up policy and re-submitted under the General Liability policy. He then reviewed the policies in the proposal for insurance renewal, and claim payments, noting that TML offers the lowest deductibles for property coverage and that cyber security coverage is provided at no cost to the District. A copy of the insurance renewal proposal is attached as *Exhibit C*. Discussion ensued regarding filing claims under the General Liability policy, alternative options for filing claims to obtain a resolution to the claims relating to sewer back-up, and purchase of supplemental sewer back-up liability policy. Mr. Mraz stated that Mr. Raines of TML had suggested the District coordinate with TML's risk management group for issues related to unpaid claims.

Upon motion by Director Soliz, seconded by Director Roe, after full discussion and the question being put to the Board, Directors Cocetti, Soliz and Roe voted in favor of, Directors Claytor and Wilcox voted against the motion to accept the insurance renewal proposal from HARCO/TML and decline the proposal from Arthur J. Gallagher, and the motion carried by majority votes.

4. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** Ms. Loaiza presented to and reviewed with the Board the Tax Assessor-Collector's Report for May, a copy of which is attached hereto as *Exhibit D*. Ms. Loaiza reported that 98.4% of the District's 2016 taxes had been collected as of May 31, 2017.

Ms. Loaiza reported that Harris County Appraisal District had notified her that the District's preliminary 2017 value is \$628,320,124.

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.

5. **Bookkeeper's Report, Investment Report, payment of bills, and take any necessary action.** Ms. Colondres presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as *Exhibit E*. Ms. Colondres reviewed disbursements from the General Operating Fund and reported that the amounts for check numbers 7339 through 7345, 7348 and 7349 have been left blank pending receipt of invoices for garbage, utilities, telephone, water purchase expense from Harris County Municipal Utility District No. 152, and payments for insurance renewal. She then reviewed disbursements from the Special Revenue Fund and reported that the amounts for check numbers 1308 through 1312 have been left blank pending receipt of utilities, telephone, and Groundwater Reduction Plan fees.

Ms. Colondres requested that an item be added to next month's agenda to amend the budget for fiscal year ending March 31, 2018. Director Cocetti requested a report from the Cash Flow Forecast relating to Capital Outlay projects for Water Plant No. 1 Water Well Pump Rework and Water Plant No. 1 Water Well Rehabilitation. He also requested a comparison of the costs to pay late fees for pending invoices for the purpose of consideration to eliminate submission of blank checks for approval each month to avoid such late fees.

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.

6. **Developer's Report.** Ms. Blausen reviewed the Developer Report and updated the Board on Harris County Municipal Utility District No. 494 ("494"). She reported that there are 237 occupied homes and 98 homes vacant or under construction.

Ms. Blausen reported that BGE reviewed revised plans and provided comments on the proposed construction of First Service Credit Union at FM 1960 and Dinero Drive. She stated that a letter of no objection was issued and the developer has requested a capacity commitment for 226 gallons per day, which is equal to less than one equivalent single family connection. Ms. Blausen requested approval to issue capacity commitment as requested by the developer.

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 BGE's request to issue capacity commitment as requested by the developer.

7. **Update on eminent domain proceeding for detention pond.** There were no updates to report.

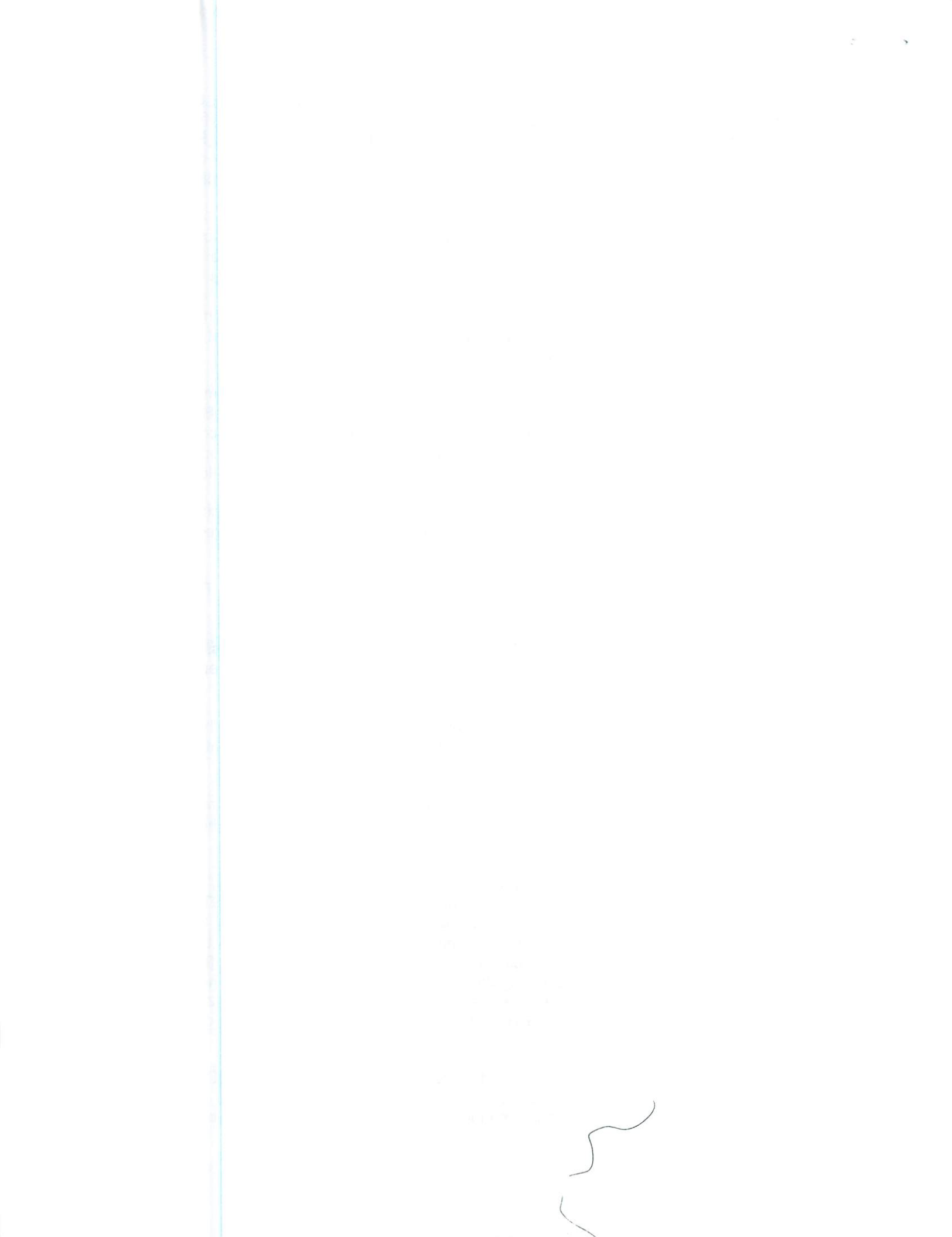
8. **Engineer's Report, including review of Engineer's projects, and capital repairs.** Ms. Blausen presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as *Exhibit F*.

Ms. Blausen reported that construction is complete at Water Plant No. 2 (the "Plant") and BGE is continuing to press the contractor and CenterPoint to provide permanent power to the Plant.

Ms. Blausen updated the Board on the status of the sanitary sewer smoke testing in Olympic Village. She stated that BGE will review the test results, and will provide the Board with a summary and suggested plan.

Ms. Blausen stated that in anticipation of Water Plant No. 2 coming online, BGE requests that the Board's authorize BGE to begin design of the Water Plant No. 1 bolted GST replacement. She reported that optional bid items will be included for rehabilitating the welded GST, and that construction will be phased and coordinated to maintain the Plant's operation throughout the project. Director Cocetti discussed capacity and inquired about the necessity for two ground storage tanks. Discussion ensued regarding the maturity of Water Plant No. 1 and the need for two ground storage tanks. It was the consensus of the Board to defer authorization to begin design of the Water Plant No. 1 bolted GST replacement, pending determination of the need for two ground storage tanks.

Ms. Blausen reported that the Operator for Harris County Municipal Utility District No. 132 ("MUD 132") is installing the new interconnect valve along Pinehurst Trail Drive, and that MUD 132's attorney is preparing an updated interconnect agreement for consideration by the District's Board and MUD 132's Board.



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: (1) the Engineer's Report; and (2) defer authorization for BGE to begin the design of the Water Plant No. 1 bolted GST replacement.

9. **Atascocita Joint Operations Board ("AJOB") report.** There are no updates to report.

10. **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 G*. He reported that the District billed 97.5% of its pumped water for the period ending May 24, 2017. Mr. Williams reviewed the Termination List and Uncollectible Accounts List, included in the Operations Report.

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, and to terminate the delinquent accounts in accordance with the District's Rate Order.

11. **Discuss claims to insurance policy for sewage back-up.** This matter was previously discussed under item 3, Presentation of Insurance Proposals.

12. **Republic Services Report and notice of rate increase.** The President of the Board recognized Ms. Nussa, who discussed with the Board the May 2017 Report and introduced Mr. Gandy and the new regional manager. A copy of the report is attached as *Exhibit H*. Ms. Nussa reported that she is requesting an audit of the District's carts to reduce the amount of calls received regarding cart replacements and repairs.

Director Soliz requested a summary of the recycle items and days. Discussion ensued regarding communication to District residents regarding costs for additional cars, cart replacement and general garbage services. Ms. Nussa discussed communicating with District residents through the District's water bill or by distribution of flyers that provide information, along with a list of services and items eligible for recycle. The Board requested that Republic provide costs for an additional pick-up day for recycled items.

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

14. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on July 19, 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 July 19, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

