

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
September 21, 2005

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 regular session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. on Wednesday, September 21, 2005, whereupon the roll was called of the members of the Board, to-wit:

Gerald Lavey, President  
Jim Davis, Vice President  
William Clarey, Secretary  
Richard DeYoung, Treasurer  
Sam Claytor, Jr., Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Mr. Gary Hastings of Aqua Services, L.P., operator for the District; Ms. Sandra Anderson of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Ms. Brenda McLaughlin of Bob Leared Interests, tax assessor-collector for the District; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Cheryl Allen and Ms. Linda Loup of Southwest Securities, Inc., financial advisors for the District; and Mr. Oliver Pennington and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order in accordance with the notice posted pursuant to law, Chapter 551, Government Code; Section 49.063, Texas Water Code; copies of certificates of posting of which are attached hereto as Exhibit "A", the following business was transacted:

1. **Minutes of the meeting of August 25, 2005.** Minutes of the meeting of August 25, 2005, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Davis, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of August 25, 2005, as presented.

2. **Public Comments.** There were no public comments.

3. **Review and adopt 2005 Tax Roll from Central Appraisal District; Consider the Financial Advisor's recommendation for the 2005 Tax Rate, if available; and Authorize publication of proposed tax rate.** The President recognized Ms. Allen, who presented to and

reviewed with the Board the Comparison of Historical Assessed Valuations and Tax Rates, and Interest Rates, January 4, 2005 to September 16, 2005, copies of which are attached hereto as Exhibits "B" and "C," respectively. Ms. Allen informed the Board that assessed valuation for the District is approximately \$342,000,000, which includes \$13,000,000 in uncertified value. Ms. Allen reported that based on this valuation, the District should consider a total tax rate of \$0.45. Discussion ensued as to the lower than expected valuation, as the preliminary valuation was approximately \$370,000,000, and possible reasons as to the large variance between the preliminary and certified valuations. In order to confirm HCAD's valuation, Mr. Hastings stated he will provide Ms. McLaughlin a list of taps set in 2004 to confirm all 2004 construction is included in HCAD's valuation. The Board proceeded to discuss the necessary tax rate with the provided valuation to meet District costs and upcoming projects. The Board concluded that while it may not have to increase the tax rate this year, it likely will have to next year if valuation does not increase. Mr. Pennington 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 2005, a copy of which is attached hereto as Exhibit "D." Mr. Pennington informed the Board that this Order authorizes Bob Leared to publish the proposed tax rate and information of the public hearing on the tax rate in the newspaper to inform the District residents. Upon motion by Director DeYoung, seconded by Director Davis, after full discussion and the question being put to the Board, the Board voted unanimously to propose a tax rate of \$0.45, and to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2005.

4. **Developer's Report.** There was nothing to report at this time.

5. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Ms. McLaughlin, who presented to and reviewed with the Board the Tax Assessor-Collector's Report for August, a copy of which is attached hereto as Exhibit "E." Ms. McLaughlin reported that collection is at 97.5% for the District, which is similar to the collection rate this time last year. Ms. McLaughlin reported that the proposed tax rate of \$0.45 will result in a tax bill increase for the average priced home in the District of 2.3% due to increased house values, which is less than the "rollback" threshold. Upon motion by Director DeYoung, seconded by Director Davis, 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, and payment of bills.** The President recognized Ms. Anderson, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, a copy of which is attached hereto as Exhibit "F." Ms. Anderson reported that the District's next debt service payment is in March Ms. Anderson reported that one Certificate of Deposit ("CD") matured on September 19 and another will mature in October. Ms. Anderson requested the Board authorize her to reinvest the funds into CD's at the best possible rate. Ms. Anderson reviewed the budget comparison with the Board.

Upon motion by Director Claytor, seconded by Director Davis, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, Investment Report, to pay the bills listed therein, and to authorize Ms. Anderson to invest in CD's at the best possible rate, subject to approval by the treasurer.

7. **Approve Depository Pledge Agreements.** The President recognized Ms. Anderson, who requested the Board approve three Depository Pledge Agreements with Prosperity Bank, Sterling Bank and Southern National Bank. Upon motion by Director DeYoung, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Depository Pledge Agreements.

8. **Atascocita Joint Operations Board (“AJOB”) report.** Director Lavey reported that the bids for the sewer plant project to upgrade and expand the plant to 8 mgd are at \$10,300,000, which is \$3,000,000 over the estimate and an additional cost of \$538,618 to the District. Director Lavey reported there was a special AJOB meeting two weeks ago and that the consensus at the meeting was to accept the bid even though it was higher than anticipated. Discussion ensued as to possible alternatives to the situation, including to reduce the capacity, redesign the project, or reallocate the capacity to reduce the cost to the District. The Board concluded that the District cannot assume this large increase in cost. Upon motion by Director Clarey, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board authorized AJOB to consider reducing the District’s share of the capacity, rebidding the project, or obtaining TCEQ approval for change order that will reduce the cost of the project.

9. **Operator’s Report.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operator’s Report, including the Constable’s Report, a copy of which is attached hereto as Exhibit “G.” Mr. Hastings reported that accountability is at 92.1% for the District.

Mr. Hastings reported that one back charge from last month was removed as it was a duplicate. Mr. Hastings requested permission to cut-off Choice Homes due to failure to pay back charges.

Mr. Hastings discussed preparation for Hurricane Rita. He informed the Board there is a right angle drill at the water well, and that while arrangements have been made for refueling, there is no certainty the fuel trucks will be able to get through after the storm. Mr. Hastings reported that the new generator at the plant is not in place yet.

Upon motion by Director Claytor, seconded by Director Davis, 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 listed therein, and to cut-off new taps to Choice Homes.

10. **Discussion of jogging trail and park.** Director Lavey reported that he had spoken with Texas A&M about possibly taking on the project of preparing an analysis of potential recreational areas in the District. Director Lavey informed the Board that he still needed to speak with Dr. Scott, the head of the department, and then they will work on making a presentation to the District.

11. **Engineer’s Report including a review of Engineer’s projects and capital repairs.** The President recognized Ms. Zapletal, who presented to and reviewed with the Board the Engineer’s Report, a copy of which is attached hereto as Exhibit “H.” Ms. Zapletal

recommended approval of Pay Estimate No. Eleven from LTG Enterprises for Phased Cleaning and Televising of Sanitary Sewer Mains.

Ms. Zapletal requested the Board's authorization to proceed with the design of the Sanitary Sewer Rehabilitation, Phase Two. Ms. Zapletal informed the Board this would include priority one and two repairs, and there would be some efficiency in having both done at the same time.

Upon motion by Director Davis, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, payment of Pay Estimate No. Eleven from LTG Enterprises in the amount of \$19,061.51, and to authorize the contract for the Sanitary Sewer Rehabilitation, Phase Two at a cost of \$573,527.

12. **Accept Easement to Serve Lake Houston Performing Arts Center.** The President recognized Ms. Zapletal, who informed the Board there is no action to take on this item at this time.

13. **Harris County Flood Control District Partnership.** There was nothing to report at this time.

14. **Review Investment Policy and accept related party disclosures from investment officer and bookkeeper.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "I." Mr. Pennington informed the Board that this is a District policy that requires annual review. Mr. Pennington inquired if there were any new related party disclosures to be made, and there were none. Mr. Pennington asked the Board if it wanted to make any changes in the District's investment policy, and discussion ensued.

Upon motion by Director Davis, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to make no changes in the District's investment policy and to approve the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto.

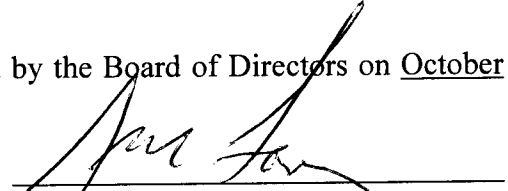
15. **Determine date and place of next meeting.** The next monthly Board meeting will be held on October 19, 2005 at 11:30 a.m. at the offices of F&J.

16. **Other matters.** There was nothing further to report at this time.

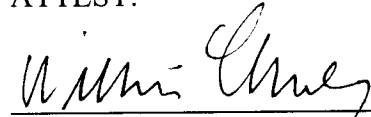
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on October 19, 2005.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

