

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
May 17, 2006

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, May 17, 2006, 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. Autumn Phillips of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Mr. Bob Leared 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; Mr. Rick Soliz, Board Candidate; 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 April 19, 2006.** Minutes of the meeting of April 19, 2006, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Clarey, seconded by Director DeYoung, 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. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Mr. Leared, who 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." Mr. Leared reported that the collection rate is at 93.7% for the District. Mr. Leared reported that the delinquent notices have been mailed. Mr. Leared provided the Board with a list

of the top delinquent tax accounts in the District and the report by the delinquent tax attorney, copies of which are attached hereto as Exhibits "C" and "D," respectively.

Upon motion by Director Clarey, seconded by Director Claytor, 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.

4. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Ms. Autumn Phillips who presented to and reviewed with the Board the Bookkeeper's Report and Investment Reports, copies of which are attached hereto as Exhibits "E," "F," and "G," respectively. Ms. Phillips stated that the next debt payment is due September 1. Ms. Phillips reported that the deadline to register for the Association of Water Board Directors summer conference is May 18.

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 Bookkeeper's Report, Investment Report, and to pay the bills listed therein.

5. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** There was nothing new to report.

6. **Operator's Report.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "H." Mr. Hastings reviewed the Flushing Valve Report, included in the Operator's Report. Mr. Hastings reported this is performed annually and that the two valves that were broken were already repaired. He stated he has received complaints by the residents about the paint on the valves, so the proposal includes painting of all the valves. Mr. Hastings stated that the price is average for this project.

Upon motion by Director Clarey, seconded by Director Claytor, 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 authorize the repairs and painting on the Flushing Valve Report.

7. **Approve Amended Rate Order for increase in Republic Waste Services fees.** Mr. Pennington reviewed with the Board the letter by Republic Waste Services regarding the increase in fees, a copy of which is attached hereto as Exhibit "I." Mr. Pennington presented to the Board the Amended Rate Order with the increase in the sewer rate to recover the increase in the Republic Waste Services increase, a copy of which is attached hereto as Exhibit "J." 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 Amended Rate Order.

8. **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 "K." Ms. Zapletal recommended payment of pay estimate number eleven from W.W. Payton in the amount of \$26,615.70 for the improvements to Water Plant No. 1. Ms. Zapletal reported that the contractor is currently painting the exterior of the original ground storage tank.

Ms. Zapletal recommended approval of Change Order No. Six in the amount of \$34,000, which includes additional yard piping from the existing ground storage tank to the new booster pumps.

Ms. Zapletal recommended approval of the proposal by W.W. Payton for painting of the remainder of the water plant facilities for \$22,800.00. She stated that the additional painting can be added to the existing contract.

Ms. Zapletal reported that the sanitary sewer rehabilitation will start next week and that the change order will be submitted to the TCEQ for approval. She stated that 700 LF of sanitary sewer on Walden Forest and Regatta Drive have been added for television inspection due to sewage backups.

Ms. Zapletal reported that the elevated storage variance request has been submitted to the TCEQ. She also reported that HC MUD 132 will be considering the District's request to use the existing meter with HC MUD 152 to meter flows between the District and HC MUD 152.

Ms. Zapletal requested authorization to advertise for bids for the natural gas generator at the shared lift station with HC MUD 152. She stated that the plans are under review at the City of Houston and Harris County.

Mr. Zabaneh reported that utility service to the 1.54 acre tract is cost prohibitive unless the 91 acre tract is also provided service. He also stated that providing utility service to the 30 acre tract is also cost prohibitive unless the 91 acre tract is developed and provided utility service.

Ms. Zapletal presented to and reviewed with the Board the Estimated Bond Issuance Requirement for Annexation of 91 Acres, a copy of which is attached hereto as Exhibit "L." Ms. Zapletal reported that RG Miller estimated the construction cost for the 91 acre tract to be \$6,717,657; however, she stated that BGE estimated the bond issuance requirement to be \$13,670,000. Discussion ensued on the taxable value required to support such a cost and the type of homes Academy Development intends to build. Ms. Zapletal stated she would provide the summary of costs to the District's financial adviser. The Board asked that Ms. Zapletal find out what lot size Perry Homes and Pulte Homes is planning for the area south of the District. The Board also asked Ms. Zapletal to invite Academy Development to the next Board meeting to discuss its land plan.

Upon motion by Director Clarey, 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; to authorize payment of pay estimate Number Eleven from W.W. Payton. in the amount of \$26,615.70 for the improvements to Water Plant No. 1; to approve of Change Order No. Six in the amount of \$34,000 for improvements to Water Plant No. 1; to approve the proposal by W.W. Payton for painting of the remainder of the water plant facilities for \$22,800.00, and to authorize advertisement for bids for the natural gas generator at the shared lift station.

9. **Consider annexation request by Wheless (30 acres).** This item was covered under the Engineer's Report.

10. **Adopt the Order Canvassing Directors Election.** Mr. Pennington presented to and reviewed with the Board the Order Canvassing Directors Election, a copy of which is attached hereto as Exhibit "M." Mr. Pennington reviewed the tally reports from Early Voting and Election Day with the Board and the determination by the Harris County Voter Registrar that the one provisional ballot should not be counted. He discussed the options available to a candidate if he requested a recount. Mr. Pennington stated that voter qualifications could not be examined in the recount process. He stated that the Board has until May 24, 2006, to canvass the election. Upon motion by Director Claytor, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Canvassing Directors Election.

11. **Qualification of Directors.** Mr. DeYoung and Mr. Soliz executed their Oath of Office and Affidavit of Director. Mr. Pennington advised the Board that Mr. DeYoung and Mr. Soliz had also completed the required statement of elected official and were fully qualified to serve their new terms. Upon motion by Director DeYoung, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Certificates of Election for Director DeYoung and Director Soliz.

12. **Election of Officers.** Mr. Pennington reported that the District requires an investment officer. Ms. Phillips stated that Mark Burton and Teresa Rosenbaum at Municipal Accounts and Consulting may serve as the District's investment officers. Upon motion by Director Claytor, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mark Burton and Teresa Rosenbaum of Municipal Accounts and Consulting as the investment officers for the District.

13. **Consider training for new Directors.** Mr. Pennington noted that the Directors were provided a memorandum detailing the required director training and the different methods of obtaining the training, including online and at the AWBD summer conference. Mr. Pennington stated that the re-elected directors will need to obtain the training within 90 days of re-election and the other directors have until January 1, 2007, to obtain the required training.

14. **Discuss existing ownership, financing and operations agreement for the shared lift station with HC MUD 152.** Mr. Pennington reported that he and the attorney for Harris County MUD No. 152 are preparing the new agreement for the agreed upon allocation of the capacity.

15. **Update on Academy Development annexation request and take any necessary action.** This item was covered under the Engineer's Report.

16. **Approve renewal of District insurance.** Mr. Pennington presented to and reviewed with the Board the Insurance Proposal by Harco Insurance Services, a copy of which is attached hereto as Exhibit "N." Discussion ensued. Upon motion by Director DeYoung, seconded by Director Claytor, after full discussion and the question being put to the Board, the

Board voted four to zero, with Director Soliz abstaining, to approve the Insurance Proposal by Harco Insurance Services.

17. **Review of Ethics and Investment Policy.** Mr. Pennington presented to and reviewed with the Board the existing policy, a copy of which is attached hereto as Exhibit "O." The Board agreed not to change the current Ethics and Investment Policy.

18. **Attorney's Report.** Mr. Pennington stated a director will need to attend the AJOB meeting until a permanent AJOB representative is selected. Director Clarey stated that he would attend the AJOB meeting for the District.

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

20. **Next Meeting Date.** The next monthly Board meeting will be held on June 21, 2006 at 11:30 at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010.

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

* * *

The foregoing minutes were passed and approved by the Board of Directors on June 21, 2006.

James Davis
President, Board of Directors

ATTEST:

William A. Gray Jr.
Secretary, Board of Directors

(DISTRICT SEAL)

