

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
June 21, 2006

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 Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. on Wednesday, June 21, 2006, whereupon the roll was called of the members of the Board, to-wit:

Jim Davis, Vice President
William Clarey, Secretary
Richard DeYoung, Treasurer
Sam Claytor, Jr., Assistant Secretary
Rick Soliz, Director

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. Louis Trapolino and Mr. Dennis Livotto of Academy Development, Inc., developers of land near the District; Mr. Jason Johnson and Mr. Andrew Paderanga of R.G. Miller Engineers, Inc.; engineers for the Academy Development, Inc. project; Mr. David Borengasser of Montgomery and Associates, developer of land near the District; Ms. Cheryl Allen of Southwest Securities, Inc., financial advisor for the District; Mr. Dan McDonald of Anco Wessendorff Insurance Company; 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 May 17, 2006.** Minutes of the meeting of May 17, 2006, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Claytor, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes, as presented.

2. **Public Comments.** Director Claytor reported that forty houses in Walden flooded on Memorial Day. He stated that a few also had sewage backup that was contained within the bathtubs and showers. He reported that Harris County inspected the storm drains and

did not find a cause for the flooding. He stated that the area received fourteen inches of rain within a five hour period.

3. **Election of Officers.** Mr. Pennington stated that the Board needs to elect a President. 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 elect Jim Davis as President. 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 elect Rick Soliz as Vice President.

4. **Election of AJOB representative.** Upon motion Director DeYoung, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to elect William Clarey as the AJOB representative.

5. **Update on Academy Development annexation request and take any necessary action.** The President recognized Ms. Allen, who presented to and reviewed with the Board the Tax Rate/Annexation Analysis, a copy of which is attached hereto as Exhibit "B." Ms. Allen reported that it may be possible to annex the Academy Development tract and maintain the current tax rate with reimbursement to Academy Development between 60% and 100%. Ms. Allen recommended annexing the Academy Development tract as it will add value to the District and allow maintenance costs to be shared among a larger group of residents. Mr. Johnson presented and reviewed with the Board the land plan for the tract, a copy of which is attached hereto as Exhibit "C." The land plan indicated 404 residential lots. Ms. Allen reported that her analysis was based on 495 lots. However, the land plan also contained a commercial site, which Ms. Allen had not included in her calculations. Mr. Pennington stated that the District engineer would design the District's trunk line facilities. He also reported that easements may need to be obtained to serve the tract and that the District would maintain control of the easements. Ms. Allen reported that the District would need to have a bond election to reimburse this annexation. Mr. Pennington stated that a bond election can only be held in May and November. Ms. Allen and Mr. Pennington concurred that if a bond election is to be held, it should be done in November of this year. Discussion ensued on the actual value to be added by the development and Ms. Allen stated that the reimbursement agreement could tie the reimbursement amount to the amount of value added to the District. Mr. Pennington stated that the addition of another water plant to the District would be beneficial to the existing system.

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 authorize the District's engineer, financial advisor and lawyer to prepare the Bond Report, which would be the basis of the November bond election.

6. **Consider capacity commitment request by Montgomery & Associates and take any necessary action.** The President recognized Mr. Borengasser, who reported that his company represents a company that is developing approximately 300 acres of land near the District, on the east side of West Lake Houston Parkway. Mr. Borengasser stated that at this time he is only trying to arrange for backup sanitary sewer capacity for 300,000 gpd. He stated that he is currently in discussion with the City of Houston as part of the land is within the city limits; however, he wanted to know if the District could provide the sanitary sewer if the need

arises. Discussion ensued on the possible cost of such sanitary sewer service and Mr. Zabaneh stated that the cost would be no less than \$3.30 per gallon. Mr. Zabaneh reported that the District has the capacity available, even if the Academy Development tract is annexed. He stated that the rehabilitation costs of the trunk line and lift station would also need to be shared with this tract if service is provided. Mr. Borengasser reported that the developer intends to create its own MUD and does not wish to be annexed by the District. The Board informed Mr. Borengasser that the District is willing to work with Montgomery & Associates to provide sanitary sewer service to the tract should the need arise.

7. **Consider insurance proposal and approve renewal of District insurance.** Mr. Pennington reported that statutes preclude the District from engaging in business with Harco Insurance now that Mr. Jerry Lavey is off the Board. He stated that Aquasurance will not be providing a proposal to the Board. Mr. Pennington reported that the District can obtain insurance directly from TML. The President recognized Mr. McDonald, who presented to and reviewed with the Board the insurance proposal by Anco Wessendorff Insurance, a copy of which is attached hereto as Exhibit "D." Mr. McDonald reported that the sewer backup coverage is part of the general liability coverage and cannot be removed. 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 accept the proposal by Anco Wessendorff Insurance.

8. **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 May, a copy of which is attached hereto as Exhibit "E." Mr. Leared reported that the collection rate is at 95.33% for the District. Mr. Leared reported that the delinquent notices have been mailed. Mr. Leared reported that the delinquent accounts will be turned over to the delinquent tax attorney on July 1, 2006, for collection.

Mr. Leared reported that Mr. William Wilkins requested a payment plan due to hardship. Mr. Leared stated that the payment plan would be for payment over six months, so that the 2005 taxes are paid before the 2006 taxes are assessed.

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 approve the Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to approve the payment plan by Mr. Wilkins over a six month period.

9. **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 Report, copies of which are attached hereto as Exhibits "F" and "G," respectively. Ms. Phillips reviewed with the Board the current registrations for the AWBD conference.

Ms. Phillips reported that she is working with Crosby State Bank to set up a lock box at that bank to receive water bill payments, to expedite the depositing of payments.

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.

10. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey stated there was nothing new to report.

11. **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 with the Board the letter to the customers on hurricane preparedness. He stated that it will cost approximately \$300 to mail to the customers or the web sites on hurricane preparedness would fit in the message box on the water bill for free. The board chose to have the web sites posted on the water bill for the residents reference.

Mr. Hastings stated that he will investigate the cause of the sewer backup and flooding that Director Claytor reported.

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 approve the Operator's Report, to terminate the delinquent accounts listed therein, and to have the hurricane preparedness web sites printed in the message box of the water bills.

12. **Amend Rate Order.** Mr. Pennington reviewed with the Board the Rate Order Study performed by Mr. Hastings, a copy of which is attached hereto as Exhibit "I." Mr. Hastings reported that the District's rates are low compared to the neighboring districts. He recommended that the Rate Order encourage water conservation by the residents. Discussion ensued and the Board requested Mr. Hastings present recommendations for the next meeting. No action was taken on this item.

13. **Approve Interlocal Agreement with Harris-Galveston Coastal Subsidence District.** Mr. Pennington presented to and reviewed with the Board an Interlocal Agreement with the Harris-Galveston Coastal Subsidence District, a copy of which is attached hereto as Exhibit "J." Mr. Pennington explained that the Interlocal Agreement commits the District for buying WaterWise kits for the Maplebrook Elementary school children in the District to teach them water conservation.

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 the Interlocal Agreement.

14. **Engineer's Report including a review of Engineer's projects and capital repairs.** The President recognized Mr. Zabaneh, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "K." Mr. Zabaneh reviewed with the Board the Summary of Wastewater Capacity Requirements, included in the Engineer's Report. Mr. Zabaneh stated that the District does have the capacity to serve the proposed 91 acre tract annexation and the capacity request by Montgomery & Associates. He also stated that the repair costs of the trunk line need to be recovered in providing the sanitary sewer. Mr. Zabaneh

did recommend that the reimbursement to Academy Development be tied to the value added to the District.

Ms. Zapletal recommended payment of pay estimate number twelve from W.W. Payton in the amount of \$40,608.00 for the improvements to Water Plant No. 1. Ms. Zapletal reported that the contractor is in the final stages of the project and near completion.

Ms. Zapletal reported that a five inch offset joint was found at Polo Meadow which will be repaired. Ms. Zapletal reported that the pipe is seventeen feet deep, in the front yard and will require replacement of a driveway.

Director Clarey leaves the meeting.

Ms. Zapletal stated that the current sanitary sewer rehabilitation is only addressing priority one repairs. She explained that as the other priority repairs are left, they will become larger problems and more costly repairs. Ms. Zapletal requested authorization to perform the preliminary work on Phase III of the Sanitary Sewer Rehabilitation.

Ms. Zapletal reported that Harris County MUD 132 approved the District's request to utilize its existing meter with Harris County MUD 152. She stated that it will become a three-way interconnect.

Ms. Zapletal reported that BGE has received bids for the natural gas generator at the lift station. She stated that C.F. McDonald Electric was the low bidder at \$103,869.00 and recommended awarding the contract to C.F. McDonald Electric upon completion of BGE checking references.

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 approve the Engineer's Report; to authorize payment of pay estimate Number Twelve from W.W. Payton. in the amount of \$40,608.00 for the improvements to Water Plant No. 1; to approve the repair of the offset joint at Polo Meadow, to authorize BGE to perform preliminary work on Phase III of the Sanitary Sewer Rehabilitation, and to award the natural gas generator contract to C.F. McDonald Electric.

15. Consider rehabilitation of force main that serve the shared lift station with HC MUD 132 and HC MUD 151 and take any necessary action. Ms. Zapletal presented to and reviewed with the Board pictures of the eighteen inch force main requiring repair, a copy of which is attached hereto as Exhibit "L." Ms. Zapletal reported that this is a 26-year-old pipe made of ductal iron that will most likely need to be replaced. She stated that she has contacted Institutorm Technologies for recommendations on the necessary repair. Attached to the Engineer's Report is the 18" Force Main Emergency Project proposal by Institutorm Technologies for the amount of \$794,301.20. Ms. Zapletal reported that the cost for this repair would be shared with HC MUD 132 and HC MUD 151, with the District's prorata share at 30.7%. She stated that HC MUD 132 is ready to proceed. Ms. Zapletal reported that 15,000 gallons of sewage leaked out of the force main and that the TCEQ has been notified of the incident and subsequent clean up procedure.

