

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
July 19, 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 special session, open to the public at Walden Lake Houston Country Club at 18100 Walden Forest Drive, Humble, Texas 77346, at 9:00 a.m. Wednesday, July 19, 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 of Academy Development, Inc., developers of land near the District; Mr. Jason Johnson of R.G. Miller Engineers, Inc.; engineers for the Academy Development, Inc. project; Mr. David Davila, a owner of land near the District; Ms. Anne Vickery of RE/MAX Suburban for Mr. Davila; Ms. Cheryl Allen of Southwest Securities, Inc., financial advisor 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 June 21, 2006.** Minutes of the meeting of June 21, 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.** The President recognized Ms. Vickery, who reported that she is requesting utility service on 33 acres of land on West Lake Houston Parkway that is situated south of the high school. Ms. Vickery stated that the land is not in the District. She reported that the land is to be developed into office space, town homes and commercial. Mr. Zabaneh stated

that the land is across the street from the Academy Development tract. He reported that service to this 33 acre tract would be decided on whether the Academy Development tract is served. Mr. Zabaneh stated that he has not received a formal request for utility service with definite numbers. Mr. Zabaneh reported that he would need to analyze the utility request and available capacity; however, he recommended waiting until a decision has been made on whether to agree to the Academy Development annexation. No action was taken by the Board.

3. Update on Academy Development annexation request and take any necessary action. The President recognized Ms. Allen, who reported that she spoke with Academy Development yesterday and she was informed the land plan has been changed to 519 lots with an anticipated value of \$175,000 per house. Mr. Johnson provided the Board the revised land plan for the tract, a copy of which is attached hereto as Exhibit "B." Ms. Allen reported that Academy Development could be reimbursed 60-100% depending on the value added to the property. She stated that it would have to be in the reimbursement agreement that the reimbursement amount would be based on the value added to the District by that tract. Ms. Allen stated that the District should be near able to annex the property without an increase in the District's tax rate. Mr. Pennington reported that the District may have a bond election only in November and May. He stated that the District could hold the bond election and still choose not to sell the bonds. Mr. Zabaneh reported that BGE has prepared the bond authorization requirement for the Academy Development. He stated that the total Bond Authorization Requirement would be \$33,200,000, which is \$14,548,647 for developer construction costs and \$9,058,900 for District projects. Discussion ensued on how to apportion the appropriate costs of the additional water plant to Academy Development. Mr. Zabaneh stated that the water plant will not be constructed if that tract is not annexed; however, if construction proceeds, the water plant should be sized to meet the land in the vicinity, not just the Academy Development tract. Mr. Zabaneh stated that Academy Development would be charged for the cost of constructing a water plant that would meet only its tract and the District would be responsible for the cost of the larger capacity. Mr. Trapolino reported that Academy Development purchased additional acres for a detention site. He also stated that a recreational center is planned at the front of the tract. Mr. Zabaneh recommended that the Board should have an opportunity to see renderings of the planned houses. Mr. Pennington stated that the engineers should prepare a maximum cost for the Academy Development tract, the Wheelless tract and the Davila tract, so that next month the Board will have the amount for which to call the bond election. Mr. Pennington reported that the District may hold the bond election separately or with Harris County. He stated that he believes the cost of a voting machine, if holding a separate election, is approximately \$10,000. He stated that the Board needs to decide this at the next meeting. The Board requested that Mr. Trapolino provide renderings of the houses that are intended to be constructed on the Academy Development tract at the next Board meeting.

4. Authorize preparation of Bond Application. The President recognized Ms. Zapletal, who reported that the Preliminary Fifth Bond Issuance Requirement is included in the Engineer's Report. She stated that the Fifth Bond Issue would be for \$3,430,000 and include the Sanitary Sewer Rehabilitation, Phase III and the generator at the shared lift station with Harris County MUD No. 152. Ms. Zapletal stated that it does not include the Sanitary Sewer Rehabilitation, Phases One and Two or the Emergency Siphon Replacement project. Ms. Zapletal stated that Ms. Allen is waiting for the final appraised values from Mr. Leared. She stated that once the final values are received, the financial advisor can determine what amount of

bonds may be sold to maintain the current tax rate for the District. Ms. Zapletal reported that the bond application will probably be done expedited.

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 authorize the District's engineer to prepare the Bond Application.

5. **Authorize Engineering Report for and Consider Order Calling Bond Election.** This item was covered under item number three.

6. **Authorize Voting Rights Act letter and approve necessary voting procedures.** No action was taken on this item.

7. **Approve contract with Harris County for voting machines.** No action was taken on this item.

8. **Approve audit for fiscal year ended March 31, 2006.** The President recognized Mr. McCall, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2006, a copy of which is attached hereto as Exhibit "C." Mr. McCall reviewed the Statement of Activities and highlighted some of the major expenses the District incurred in the previous year. He reviewed the section of the draft audit that meets the continuing disclosure requirement for the District's bonds. Mr. McCall asked that the Board approve the draft and provide him with input in the next ten days upon further review by the consultants and directors. 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 draft of the audit for the District for fiscal year ending March 31, 2006, subject to any necessary changes by Mr. McCall.

9. **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 June, a copy of which is attached hereto as Exhibit "D." Mr. Leared reported that the collection rate is at 95.82% for the District. Mr. Leared reported that the delinquent accounts have been turned over to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for collection.

Mr. Leared reported that Mr. Bert Cross requested a payment plan over five months. Mr. Leared stated that the letter requesting the payment plan was dated June 15; however, he did not receive it in time to ask at the June Board meeting. Mr. Leared stated that he would assess the delinquent penalties unless the Board instructed him not to include the additional 20% penalty that went into effect July 1.

Mr. Leared reported that the 2006 preliminary taxable value for the District prepared by Harris County Appraisal District ("HCAD") is \$415,307,584. However, Mr. Leared reviewed some items on the HCAD preliminary report which indicate the preliminary value to be erroneous. Mr. Leared stated that he anticipates the District's taxable value to increase by approximately \$35,000,000.

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 Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to approve the payment plan by Mr. Cross over a five month period with all penalties and interest included.

10. **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 "E" and "F," respectively. Ms. Phillips reported that the District has a \$250,000 Certificate of Deposit ("CD") in the Construction Fund that will not mature for another year. She stated that it would be best to break the CD to pay current construction costs. Ms. Phillips stated that she would expect Woodforest Bank to only charge one month's interest in penalty for breaking the CD.

Ms. Phillips reported that the investments at Sterling Bank are secure, even though the Pledged Security Report shows a Ratio of Pledged Securities to Investments as 90.15%. She stated that the District's investments are completely protected, and that the report just reflects lack of receipt of documents from the bank.

Ms. Phillips reported that Crosby State Bank continues to work on setting up a lock box at that bank to receive water bill payments, to expedite the depositing of payments. She also reported that Texas State Bank will now check the District's accounts on a weekly basis, instead of monthly, and transfer the funds to Crosby State Bank.

Ms. Phillips reported that currently ADP does payroll for the directors and the District is charged \$60-70 a month for this service. She stated that Municipal Accounts Consulting, L.P. is able to do this service, if the Board would prefer this.

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 Bookkeeper's Report, Investment Report, to pay the bills listed therein, to authorize the bookkeeper to break the CD at Woodforest Bank with a one month penalty; to cancel the contract with ADP; and to approve Municipal Accounts Consulting, L.P. to provide the payroll service which ADP was providing.

11. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey stated he was unable to attend the meeting. ~~Mr. Zabaneh reported there was nothing new to report.~~

12. **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 "G." Mr. Hastings reported that the flow meters in the sanitary sewer system have become obsolete and are not being repaired any longer. He stated that at the next Board meeting he will provide pricing for the options of owning or leasing the flow meters.

Mr. Hastings presented to and reviewed with the Board the Rate Order Study, a copy of which is attached hereto as Exhibit "H." Mr. Hastings reported that this study includes the neighboring municipal utility district rates in AJOB. He reported that the District's rates are

below average. Mr. Hastings started that the Order Amending and Restating Order Setting Water and Sewer Service Rates, Establishing Tap Fees, Adopting Rules and Regulations concerning District's Waterworks and Sanitary Sewer System, and Establishing Policy with Respect to Fire Hydrants, Manholes, Meter Boxes, and Clean-out Valves ("Amended Rate Order"), has incorporated his recommended changes, a copy of which is attached hereto as Exhibit "I." He stated that this will increase the average resident's bill by \$1.03 a month and help pay for repairs the District needs to do throughout the year. Mr. Hastings reviewed the increase in the water and sewer rates with the Board.

Upon motion by Director Clarey, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted four to one, with Director Davis opposing, to approve the Operator's Report, to terminate the delinquent accounts listed therein, and to approve the Amended Rate Order.

13. **Amend Rate Order.** This was covered in the Operator's Report.

14. **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 "J." Ms. Zapletal recommended payment of pay estimate number thirteen from W.W. Payton in the amount of \$98,865.00 for the improvements to Water Plant No. 1. Ms. Zapletal reported that soil testing around the ground storage tank indicate no contamination that requires mediation. She stated that start up testing will occur in the next few weeks.

Ms. Zapletal reported that the Polo Meadow 18" point repair has been completed. She stated that 70-80% of the sanitary sewer rehabilitation has been completed.

Ms. Zapletal recommended payment of pay estimate number two from Insituform Technologies, Inc. in the amount of \$10,560.89 for the emergency siphon repair. She reported that the repair is done and that the Harris County Flood Control District has approved it.

Ms. Zapletal reported that BGE is addressing comments from the TCEQ on the elevated storage tank variance request.

Ms. Zapletal reported that Harris County MUD 152 will be considering the District's request to utilize the existing meter with HC MUD 132 at its next meeting.

Ms. Zapletal stated that Walden Park on Lake Houston will obtain additional topo on the project site. Director Davis stated that the playground equipment is installed.

Ms. Zapletal reported that the contracts for the natural gas generator at the shared lift station with HC MUD 152 are ready for signature. Ms. Zapletal requested a check made payable to CenterPoint Energy be signed by the Board and held by the District bookkeeper in anticipation of arranging electricity for the generator.

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 Engineer's Report; to authorize payment of pay estimate Number Thirteen from W.W. Payton. in

