

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
September 20, 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. Wednesday, September 20, 2006, whereupon the roll was called of the members of the Board, to-wit:

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

All members of the Board were present, except Director DeYoung. 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; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineer for the District; Ms. Cheryl Allen of Southwest Securities, Inc., financial advisor for the District; Mr. Dennis Livotto of Academy Development, Inc., developers of land near the District; Mr. Mark Verret, a resident of the District; Mr. Martin Willhoite of the Observer Newspapers; 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 meetings of August 16, 2006 and August 29, 2006.** Minutes of the meetings of August 16, 2006 and August 29, 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.** There were no public comments.

3. **Review status of repairs and driveway at 19211 Nehoc.** The President recognized Mr. Verret. Mr. Verret presented to the Board the letter by the Texas Municipal

League (TML) rejecting his claim for repair of his driveway, a copy of which is attached hereto as Exhibit "B." Mr. Verret stated that his front yard has been sinking along the sewer line for several years, and that the sinking has migrated to his driveway in the last five years. He stated that the driveway has sunk approximately six inches on the one side and one and a half inches on the other side. Mr. Verret reported that he had an engineering firm look at his driveway and that the possible causes given were a leak in the line causing erosion or that the sewer line was not properly backfilled when it was put in. Mr. Hastings stated that Mr. Verret contacted him in the spring regarding his driveway. Mr. Hastings reported that a dye test was performed and there were no sign of leaks. He stated that that segment of the sewer line has been televised and that there were no signs of leaks and that it is not listed for rehabilitation. Mr. Pennington reported that the District may be liable for a condition on property and that it is not evident whether TML investigated for that. Mr. Verret stated that he wants his driveway repaired and any leaks fixed to prevent recurrence. Mr. Verret stated that he has two proposals to replace the driveway, one at \$3,800 and the other for \$6,000. He stated that this is for the entire driveway and that two sections of the three section driveway need replacement. He stated he is willing to pay one-third of the cost to ensure his driveway has a consistent appearance. Mr. Hastings reported that the price he obtained to replace two sections of the driveway was \$10,000. The Board discussed further investigation of why the driveway is sinking. Director Claytor suggested getting a core sample to determine the compaction of the material under the driveway. Ms. Zapletal reported that it has been two years since the sewer line has been televised and that it would cost approximately \$1,200 to televise that 600 foot segment of the sewer line. Upon motion by Director Claytor, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board authorized the sewer line to be televised and a core sample to be taken to aide in determining the cause of the subsidence.

4. Update on Academy Development annexation request and take any necessary action. The President recognized Mr. Livotto, who presented to the Board the home plans and elevations for the Academy Development tract near the District. Mr. Livotto reported that the price range for the homes will start at \$130,000 to \$135,000, and that the homes will range from 1,600 to 2,800 square feet. Director Claytor stated that houses of that size are selling for less than that price in the District. Mr. Pennington stated that the reimbursement to Academy Development is proposed to be tied to the value added to the District. Ms. Allen stated that the reimbursement may not be 100% and the amount should depend on the value added to the District. Ms. Allen stated that she requires an updated land plan with the number of lots and prices expected for the lots so she may perform the analysis of the development. Ms. Allen reported that at the July meeting the Board asked for a full presentation by Academy. Ms. Zapletal reported that the other developers are working on their land plans so the costs can be calculated. Ms. Zapletal stated that the water plant costs would be pro rated among all users, including the existing parts of the District.

The Board discussed possible dates to meet in the District to provide residents information on the bond election and annexation. It was the consensus of the Board to hold the meeting October 5, 2006 at Walden on Lake Houston Country Club at 6:30 p.m. The Board asked Mr. Livotto to provide the necessary information to Ms. Allen and to provide a full presentation at the October 5, 2006 meeting.

5. **Approve contract with Diebold Election Systems for voting machines.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Voting System Rental, License, and Services Agreement with Diebold Election Systems, a copy of which is attached hereto as Exhibit "D." 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 Voting System Rental, License, and Services Agreement with Diebold Election Systems.

6. **Consider the Financial Advisor's recommendation for the 2006 Tax Rate and Authorize Publication.** The President recognized Ms. Allen, who presented to and reviewed with the Board the Comparison of Historical Assessed Valuations and Tax Rates, a copy of which is attached hereto as Exhibit "E." Ms. Allen reported that based on the assessed valuation of the District, the Board should consider a total tax rate of \$0.45, which is the same as last year. Ms. Allen reported that a debt tax rate of \$0.3697 should be sufficient to meet the District's debt service, and a maintenance and operating tax rate of \$0.0803 for maintenance expenditures. 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 2006, a copy of which is attached hereto as Exhibit "F." 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 Claytor, seconded by Director Clarey, 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 2006.

7. **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 August, a copy of which is attached hereto as Exhibit "G." Mr. Leared reported that the collection rate is at 98.11% 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. He asked the Board if a written report from Perdue, Brandon, Fielder, Collins & Mott, L.L.P. would be sufficient or if it wanted the delinquent tax attorney to attend the meeting. It was the consensus of the Board that a written report from the delinquent tax attorney would be fine.

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

8. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Ms. Phillips, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, a copy of which is attached hereto as Exhibit "H." Ms. Phillips reported that there is a deficit in the Operating Fund and that she is holding a couple of large checks until a Certificate of Deposit matures on September 30, 2006. She stated once it matures she will transfer the funds and release the checks.

Ms. Phillips reported that currently the Board is receiving a monthly investment report and usually a quarterly investment report is provided. She asked the Board if it would prefer to go to a quarterly investment report. It was the consensus of the Board that a quarterly investment report would be fine.

Mr. Pennington requested Ms. Phillips to track the bond election costs and assign the costs to the three potential annexations.

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

9. **Approve Engagement Letter with Arbitrage Compliance Specialists for Unlimited Tax Bonds; Series 1997 Arbitrage Report.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Engagement Letter for Arbitrage Rebate Service with Arbitrage Compliance Specialists, Inc., a copy of which is attached hereto as Exhibit "I." Mr. Pennington reported that the federal government requires an arbitrage report on the bonds. 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 Engagement Letter for Arbitrage Rebate Service with Arbitrage Compliance Specialists, Inc.

10. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that 40% of the wastewater treatment plant expansion has been completed. He stated that the Texas Department of Transportation had a meeting on the widening of FM 1960.

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 "J." Mr. Hastings reported that the well meter failed so the usage was estimated and accountability was 107%.

Mr. Hastings reviewed the Water Well No. 1 Performance Test Report with the Board.

Mr. Hastings noted that his report included the Constable's Report. Director Soliz asked if the District pays for security. Ms. Phillips stated that \$3,000 annually is budgeted for it but the District has not been invoiced for it. Director Soliz requested that Ms. Phillips note if an invoice for security is presented, as he wants to know what the District is receiving for payment.

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, and to terminate the delinquent accounts listed therein.

12. **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 fifteen from W.W.

Payton in the amount of \$68,257.15 for the improvements to Water Plant No. 1. Ms. Zapletal recommended approval of Change Order No. Eight in the amount of \$1,850.00 for the required relocation of the transformer bank.

Ms. Zapletal reported that the cost to replace the flow meters by Macaulay Controls Company is \$9,159.00. She stated that the current flow meters are obsolete and that the meters help locate problems and track the benefits of the sewer rehabilitation.

Ms. Zapletal recommended payment of pay estimate number two from Repipe Texas in the amount of \$86,284.35 for the Sanitary Sewer Rehabilitation, Phase II. Ms. Zapletal reported that approximately 90% of the work has been completed.

Ms. Zapletal reported that BGE has submitted the Sanitary Sewer Rehabilitation, Phase III plans to Harris County for review. She stated that phases one and two account for 40-50% of the sanitary sewer rehabilitation.

Ms. Zapletal reported that additional documentation has been sent to the TCEQ in response to its comments to the elevated storage tank variance request.

Ms. Zapletal reported that the contractor has completed the underground electrical conduit and has poured the slab for the generator for the lift station.

Ms. Zapletal reported that the owner of a 22 acre tract of land in the District will attend the October Board meeting to discuss his proposed development.

Ms. Zapletal reported that Ms. Vickery is working on the land plan for the 32 acre tract development on West Lake Houston Parkway.

Ms. Zapletal reported that BGE was notified of a sinkhole in the rear easement on Preakness Palm Circle. She stated that the location was scheduled for phase III rehabilitation, but that BGE will investigate the situation and work with Repipe to correct the problem.

Ms. Zapletal reported that BGE will confirm the final bond application amount with Ms. Allen upon receipt of the Certificate of Estimate of Value from the Harris County Appraisal District.

Upon motion by Director Claytor, seconded by Director Soliz, 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 Fifteen from W.W. Payton. in the amount of \$68,257.15 and to approve Change Order No. Eight in the amount of \$1,850.00 for the required relocation of the transformer bank for the improvements to Water Plant No. 1; to authorize payment of pay estimate Number Two from Repipe Texas in the amount of \$86,284.35 for the Sanitary Sewer Rehabilitation, Phase II; and to approve replacement of the flow meters.

13. **Bond matters.** No action was taken on this item.
14. **Attorney's Report.** No action was taken on this item.

