

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
January 17, 2007

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 on Lake Houston Country Club at 18100 Walden Forest Drive, Humble, Texas 77346, at 6:30 p.m. Wednesday, January 17, 2007, 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. Also attending all or portions of the meeting were Mr. Gary Hastings of Aqua Services, L.P., operator for the District; Ms. Amy Zapletal and Ms. Karena Hauter of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Alan Waters, President of the Walden Community Services Association; Captain Steve Whitton, constable for the District; and Mr. Neil Thomas 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 December 20, 2006.** Minutes of the meeting of December 20, 2006, previously distributed to the Board, were presented for consideration and approval. 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 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 Board reviewed the provided Tax Assessor-Collector's Report for December, a copy of which is attached hereto as Exhibit "B." The President noted that 56% of the District's 2006 taxes have been collected as of December 31, 2006.

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 Tax Assessor-Collector's Report, and to authorize the expenditures listed therein.

4. **Consider property tax exemptions.** Mr. Thomas reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who Are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "C." Mr. Thomas stated that last year the Board granted property tax exemptions for those who are 65 years of age or older and for those who are disabled in the amount of \$5,000. 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 grant property tax exemptions for those who are 65 years of age or older and for those who are disabled in the amount of \$5,000 of the appraised value.

5. **Bookkeeper's Report, Investment Report, and payment of bills.** The Board reviewed the provided Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D."

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, and to authorize payment of the checks listed therein.

6. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that AJOB has not met since the last Board meeting. Ms. Zapletal reported that BGE has received Pay Estimate No. 13 and that BGE has sent Change Order Nos. 2 and 3 to the TCEQ for the Wastewater Treatment Plant Expansion.

7. **Security Report and Take Any Necessary Action.** The President recognized Mr. Waters, who reported that several homeowner associations are currently coordinating security for Atascocita. He reported that the contract with Harris County Precinct 4 provides for 12 constables for 14,000 homes, which equates to 0.6 per 1,000 homes in coverage. Mr. Waters reported that the ideal coverage is 3.2 to 3.4 per 1,000 homes. Mr. Waters reported that the Atascocita population is expected to increase greatly in the coming years. Mr. Waters reported that currently the homeowner associations are spending approximately \$700,000 on security and are proposing to have municipal utility districts assume the responsibility for security. He stated that the utility districts are able to derive funds from the commercial property owners which will provide more funds for security. Mr. Waters stated that the commercial property owners are currently receiving security service without paying for it. Mr. Waters reported that if the utility districts agreed to assume the security contracts, the homeowner associations would decrease the fees in an equal amount to the increase the districts must charge, so that the cost to the resident does not increase. Captain Whitton reported that the calls have doubled in the Atascocita area since 2000 and if this trend continues, the response time will increase from the current time of approximately thirteen minutes. Captain Whitton reported that if additional constables are not added, incoming calls will have to be prioritized before responding.

Captain Whitton reviewed with the Board the amount of coverage provided by Harris County. The Board discussed options in persuading the Harris County Commissioners to provide additional security and other options for funding security. Mr. Waters stated that having the utility districts assume the security contract to increase coverage will only work if all of the

Atascocita area utility districts participate. Mr. Waters stated that the costs for the utility districts assuming the security are not final and asked the Board if would like to review such information when it is available. The Board stated that it is willing to review the costs of the proposal of the utility districts assume security. Mr. Hastings stated that he will prepare a Rate Order Study on commercial property in the District, to determine what funds may be realized by a water rate increase for commercial property in the District.

8. **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 "E." Mr. Hastings reviewed with the Board the new regulation that will require districts to electronically monitor chlorine residual at water plants in the future.

Mr. Hastings reported that he has received a complaint by a resident at 19218 Hikers Trail of an uneven driveway after a leak. Mr. Hastings reviewed with the Board the location of the leak in relation to the driveway and stated that settling from the leak could not have impacted the driveway.

Mr. Hastings requested the Board to authorize expenditure of \$1,000 for the water conservation kits for the Water Smart Program for the students at Maplebrook Elementary School.

Director DeYoung reported that he has been approached by residents for funds for a running track at the middle school. Mr. Thomas reported that the District may contribute funds for such facility if the running track would be available to the residents of the District. He stated that in order for the District to contribute funds, the District would need a contract with the school.

Upon motion by Director DeYoung, seconded by Director Soliz, 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, to not offer any compensation for the uneven driveway, and to authorize the expenditure of \$1,000 for water conservation kits for the Maplebrook Elementary School students.

9. **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 "F."

Ms. Zapletal recommended payment of Pay Estimate No. Three from RePipe-Texas in the amount of \$122,397.75 for the Sanitary Sewer Rehabilitation, Phase II. She stated one repair remains to be completed and that RePipe-Texas expects to be done by next week.

Ms. Zapletal reported that the plans for Sanitary Sewer Rehabilitation, Phase III, have been approved by Harris County. She stated that BGE is ready to advertise the project if the Board chooses to pre-finance the project from the operating account and then reimburse the District from the bond sale. Ms. Zapletal stated that the project will cost approximately \$400,000. Mr. Thomas asked that the Board approve a Resolution Declaring Official Intent to Reimburse Expenditures.

Ms. Zapletal reported that BGE has received TCEQ approval for the Elevated Storage Variance.

Ms. Zapletal recommended payment of Pay Estimate No. 4 from C.F. McDonald in the amount of \$5,193.45 (with the District's share being \$3,412.10) for the natural gas generator at the shared lift station.

Ms. Zapletal reported that BGE is coordinating with the electrical engineer to prepare the electrical schematics for installing the variable frequency drive on the pumps at the lift station and will solicit bids for the project upon completion of the plans.

Ms. Zapletal reported BGE has begun design work for Water Plant No. 2, the lift station and offsite water and sanitary sewer lines to serve the tracts proposed for annexation.

Ms. Zapletal reported that annexation deposits have been received for four of the five annexation tracts and is awaiting the deposit for the 32 acre tract. She stated that upon receipt of the boundary surveys, BGE will begin preparation of the revised District boundary survey to show the five annexation tracts.

Ms. Zapletal reported receipt of comments from the attorney and financial advisor on the bond report. She stated that with the Board's approval, the bond application will be submitted to the TCEQ for 45-day expedited review.

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 No. Three from RePipe-Texas in the amount of \$122,397.75 for the Sanitary Sewer Rehabilitation, Phase II; to approve the pre-financing of the Sanitary Sewer Rehabilitation, Phase III project from the operating account and then reimburse the District from the bond sale; to approve the Resolution Declaring Official Intent to Reimburse Expenditures for the Sanitary Sewer Rehabilitation, Phase III; to authorize payment of Pay Estimate No. 4 from C.F. McDonald in the amount of \$5,193.45 (with the District's share being \$3,412.10) for the natural gas generator at the shared lift station; and to authorize submittal of the bond report to the TCEQ.

10. Approve Order Authorizing Application for TCEQ Approval of Bond Issuance. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Application for Expedited Consideration of the Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds and Waiver of Certain Commission Rules (the "Application"), and the Order Authorizing the Application (the "Order"), a copy of which is attached hereto as Exhibit "G." 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 Application and Order.

11. Approve Resolution Requesting Estimate of Value as of January 1, 2007. The President recognized Ms. Zapletal, who reported that Ms. Allen, the District's financial advisor, requested the Estimate of Value for the Official Statement for the bond issuance. Mr. Thomas presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation, a copy of which is attached hereto as Exhibit "H." 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 Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.

12. Authorize Letter to Mr. Bill Burney Regarding Reimbursement Agreement.

Ms. Zapletal reported that Mr. Burney requested a letter regarding the Reimbursement Agreement. She stated that the value he will add with his development will be far greater than the ten to one debt to value ratio required for 100% reimbursement. Upon motion by Director DeYoung, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board authorized Mr. Pennington to prepare the letter to Mr. Burney stating that he will be reimbursed 100% if the development on the 22 acre tract produces sufficient assessed valuation to achieve the ten to one debt to value ratio.

13. Discuss Annexation Agreements and Reimbursement Agreements.

This item was covered under the Engineer's Report.

14. Attorney's Report.

Mr. Thomas reported that there is proposed legislation on eminent domain which makes condemnation more expensive for governmental entities. He stated that there is also proposed legislation on limiting the percentage increase in property appraisals allowed in a year's time.

15. Other matters.

No other matters were discussed.

16. Next Meeting Date.

It was the consensus of the Board to hold the next monthly Board meeting on February 21, 2007 at 11:30 a.m. 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.

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The foregoing minutes were passed and approved by the Board of Directors on February 21, 2007.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

