

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
March 21, 2007

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, March 21, 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; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers 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. Louis Trapolino of Academy Development, developer of land proposed to be annexed by the District; Mr. David Borengasser of Montgomery and Associates, engineer for Harris County Municipal Utility District No. 494; Ms. Linda Loup of Southwest Securities, Inc., financial advisor to 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 February 21, 2007.** Minutes of the meeting of February 21, 2007, 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. **Approve Preliminary Official Statement and Notice of Sale for 2007 Bonds and take other actions necessary in connection with issuance of bonds.** The President

recognized Ms. Loup, who presented to and reviewed with the Board the Preliminary Official Statement ("POS") for the Unlimited Tax Bonds, Series 2007, in the amount of \$3,430,000, a copy of which is attached hereto as Exhibit "B." Mr. Pennington stated that the District does not have final approval from the Texas Commission on Environmental Quality ("TCEQ"), so approval of the POS will be contingent upon final approval from the TCEQ. Mr. Pennington presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale for Unlimited Tax Bonds, Series 2007 ("Order"), a copy of which is attached hereto as Exhibit "C." 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 Order, the POS, and the printing and distribution of the offering documents contingent upon final approval by the TCEQ.

Ms. Loup informed the Board that Wells Fargo Bank bid \$400 for paying agent services and is the paying agent on the District's previous bond issues. 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 select Wells Fargo Bank as the Paying Agent/Registrar for the Series 2007 Bonds.

4. Approve Southwest Securities to bid on the Bonds. Ms. Loup requested authorization for Southwest Securities to bid on the bonds. She stated that the bidding would be done by the underwriting office in Dallas, which only has access to the offering documents. 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 allow Southwest Securities to submit a competitive bid on the Series 2007 Bonds.

5. 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 February, a copy of which is attached hereto as Exhibit "D." Mr. Leared noted that 91% of the District's 2006 taxes have been collected as of February 28, 2007. Mr. Leared stated the delinquent tax notices have been sent.

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.

6. Authorization of additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2007. The President recognized Mr. Pennington, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes under Section 33.07 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "E." 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 Resolution Authorizing Additional Penalty on Delinquent Taxes under Section 33.07 and 33.08, Tax Code.

7. 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, a copy of which is attached hereto as Exhibit "F." Ms. Phillips reported that the March 1 debt payment was made.

Ms. Phillips asked who should pay the election expenses. Mr. Pennington stated that the election expenses should be allocated among the proposed annexation tracts with 50% to Academy Development, 20% to each of the 30 acre tract owners and 5% to each of the 1.5 acre tract owners.

Ms. Phillips presented to and reviewed with the Board the proposed budget for fiscal year ending March 31, 2008, included in the Bookkeeper's Report. The Board reviewed the proposed budget.

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 Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve the budget for fiscal year ending March 31, 2008.

8. **Adopt budget for fiscal year ending March 31, 2008.** This item was covered under the Bookkeeper's Report.

9. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that 79% of the Wastewater Treatment Plant Expansion project is complete. Mr. Zabaneh reported that it should be operating in September or October of this year.

10. **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 reviewed the Water Well No. 1 Performance Testing Report with the Board and stated that the water well is performing very well. Director Clarey asked if there were calls about water discoloration. Mr. Hastings reported there were no calls, so the letter of notification of the flushing of the fire hydrants seems to have worked.

Mr. Hastings presented to and reviewed with the Board the draft Consumer Confidence Report ("CCR"), included in the Operator's Report. He stated that the values are generated by the state, which tests the items at various times. He asked the Board for comments on the draft CCR.

Mr. Hastings reported that he called Mr. Donald Benefield, who was discussed at the last Board meeting, and that Mr. Benefield was satisfied.

Mr. Hastings reported that Mr. Gene Mack on Hikers Trail requested the insurance information for the District and has filed a claim with the District's insurance company for his uneven driveway. Mr. Hastings reported that the excavation for the leak occurred twelve feet from his driveway and could not have caused his uneven driveway.

Mr. Hastings presented to and reviewed with the Board a Rate Order Study for Commercial Customers, a copy of which is attached hereto as Exhibit "H." Mr. Hastings reported that the District's rates are significantly below the average rates of the surrounding

utility districts.

Mr. Hastings reported that the Water Smart Presentation at Maple Brook Elementary was very successful, but cost \$600 more than expected as the school principal had all the grades attend. He stated that there were two presentations divided by the grade levels, so the information was age-appropriate. Mr. Hastings requested approval of the additional \$600 for the Water Smart Program. Director Soliz asked when the Water Smart Presentation should be done again and Mr. Hastings recommended in three years. Mr. Hastings reported that the District also sponsors the Water Wise kits at the school which earns the District groundwater certificates.

Director Soliz asked why accountability has decreased. Mr. Hastings reported that in the previous months accountability was over 100% due to a meter under reading. He stated that the meter has now been fixed and this is adjustment for that.

Upon motion by Director Clarey, 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, and to approve the additional \$600 for the Water Smart Presentation.

11. 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 "H." Ms. Zapletal reported that the wastewater flows are decreasing and it is hoped that the upcoming repairs will achieve continued progress.

Ms. Zapletal reported that the Sanitary Sewer Rehabilitation, Phase II, is completed and was inspected by the Texas Commission on Environmental Quality on February 23, 2007.

Ms. Zapletal requested approval to execute the contracts for the Sanitary Sewer Rehabilitation, Phase III, and Change Order No. One for \$207,950.20 for the additional work so that the project matches the amount allotted for the project in the upcoming bond issue.

Ms. Zapletal reported that BGE will solicit bids for the Lift Station Rehabilitation for the next Board meeting.

Ms. Zapletal reported that BGE has confirmed the location of Water Plant No. 2 with RG Miller and provided two options for the location of the proposed lift station. She stated that BGE is awaiting a response from RG Miller.

Ms. Zapletal reported that BGE noted a discrepancy in the boundary of the 91 acre tract and 32 acre tract, where the boundaries overlap. She stated that the owners will perform deed and title searches to determine correct ownership. Ms. Zapletal reported that this discrepancy will need to be resolved before BGE can proceed on the annexation work.

Ms. Zapletal requested authorization to begin advertising for utility construction bids, and to solicit and award bids for clearing for Waterhaven before the April Board meeting. She stated that BGE expects comments by the City of Houston by the end of the week and has

received comments by Harris County. Ms. Zapletal reported that the District's share of the project will be less than \$25,000.

Ms. Zapletal reported that bids were received for modifications to the existing water meter and vault located at West Lake Houston Parkway. She recommended award of the project to Ben Felts Utility Construction Company, the low bidder at \$24,565.00.

Ms. Zapletal reviewed with the Board the cost estimates for several alternatives for the facilities required to serve the annexation tracts and Harris County Municipal Utility District No. 494 ("MUD 494"). Ms. Zapletal reported that first the Board will need to decide what it wants to construct and then BGE will talk to the land owners about advancing the funds for construction. Mr. Pennington stated that the District and MUD 494 will need to agree upon how to manage interconnects when MUD 494 begins taking water from the City of Houston. Ms. Zapletal reported that one option is to construct an oversized facility that would be able to manage the District and the annexation tracts with Water Plant No. 1 down. She stated that another option is to build the facility to manage the District, the annexation tracts and MUD 494 without the oversizing. Ms. Zapletal presented a third option of a facility large enough to manage the District, the annexation tracts, MUD 494 and some oversizing, but not as much oversizing as the first option. Ms. Zapletal stated that the cost estimates do not include engineering costs and that it is more expensive for MUD 494 to construct a water plant without the District. Mr. Borengasser reported that he wants to review the route of the waterline and the cost estimates. Mr. Pennington stated that if the City of Houston eventually requires some action by MUD 494, it should not change the commitment and obligations that MUD 494 will make to the District. Mr. Zabaneh reported that the cost estimates have not been provided to the owners of the small tract proposed for annexation as those tracts will need sanitary sewer. He stated that he would add in the cost estimates for the sanitary sewer and provide the information to the owners of the smaller tracts proposed for annexation.

Mr. Pennington presented to and reviewed with the Board the Sales Agreement and Lease of Facilities for water, sewer and drainage facilities to serve Waterhaven with Waterhaven, Ltd., a copy of which is attached hereto as Exhibit "J." Mr. Pennington stated that this is the reimbursement agreement to reimburse the developer for the utilities constructed in the District once the ten to one value to debt ratio is achieved.

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 approve execution of the contracts and Change Order No. One in the amount of \$207,950.20 for the Sanitary Sewer Rehabilitation, Phase III; to authorize BGE to begin advertising for utility construction bids, and to solicit and award bids for clearing for Waterhaven before the April Board meeting; to approve award of modifications to the existing water meter and vault located at West Lake Houston Parkway to Ben Felts Utility Construction Company, the low bidder at \$24,565.00; and to approve the Sales Agreement and Lease of Facilities for water, sewer and drainage facilities to serve Waterhaven with Waterhaven, Ltd.

12. Authorization to solicit and authorize award for bids for Clearing and Grubbing for Waterhaven. This item was covered under the Engineer's Report.

13. **Award Modifications to Existing Water Meter and Vault Located at West Lake Houston Parkway project.** This item was covered under the Engineer's Report.

14. **Discuss Expansion of Water Plant No. 2 for proposed Harris County MUD 494 for The Bridges at Lake Houston.** This item was covered under the Engineer's Report.

15. **Approve Reimbursement Agreement with Waterhaven, Ltd./Oakmont Group.** This item was covered under the Engineer's Report.

16. **Discuss Renewal of Residential Solid Waste Collection Contract.** Mr. Pennington presented to and reviewed with the Board a letter from Republic Waste Services proposing a rate increase to \$14.50 per home per month, a copy of which is attached hereto as Exhibit "K." Director Clarey stated that the District should probably renew with Republic Waste Services as the rate is still competitive, even with the increase. No action was taken on this item.

17. **Consider Annexation Agreements and Reimbursement Agreements.** No action was taken on this item.

18. **Attorney's Report.** No action was taken on this item.

19. **Other matters.** No other matters were discussed.

20. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on April 18, 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.

* * *

