

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
June 20, 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, June 20, 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, except Director Soliz. 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. Allen Jones of W.Y. Atlantis, developer of land near the District; Mr. David Borengasser of Montgomery and Associates, engineer for W.Y. Atlantis; Mr. Johnny Smith of Republic Waste Services, solid waste collection company 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 May 16, 2007.** Minutes of the meeting of May 16, 2007, previously distributed to the Board, were presented for consideration and approval. 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 minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Discuss Services Provided by Republic Waste and Take Any Necessary Action.** The President recognized Mr. Smith, who reported that he drove the District a couple of times on collection days and he believes the residents are unaware that they have back door

service. He stated that the company's policy is to return the trash cans to where they were left for collection, so the cans left at the curb are returned to the curb. Director Claytor reported that he also drove the District on trash collection day and noted that approximately half the residents placed their trash cans at the curb for collection. Mr. Smith stated that Republic Waste does not return all the trash cans to the back door as some residents do not want the garbage men walking up their driveway to their back door. Mr. Smith provided the Board a letter from Republic Waste Services to the garbage truck drivers of the District detailing the back door service to be provided, a copy of which is attached hereto as Exhibit "B." Mr. Smith stated that the District may convert to automated service and reduce the trash collection fee to approximately \$9.00 to \$10.00 a month per resident. He added that in the future the garbage collection contracts will be converted to automatic service as it is more efficient; however the service requires the containers to be brought to curb side. The Board discussed including a message on the water bill that the District has back door service. Mr. Smith provided the Board the trash guidelines and holiday collections for distribution to residents. He stated that he may contact the management company for the homeowners association to try to inform the residents that they have back door service and of the trash guidelines.

4. **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 "C." Mr. Leared noted that 95% of the District's 2006 taxes have been collected as of May 31, 2007.

Mr. Leared provided a resident letter requesting waiver of the penalty and interest of the 2006 taxes as she did not receive the tax bill after twice contacting the Harris County Appraisal District to change the owner of the property without success.

Mr. Leared reported that Harris County Appraisal District ("HCAD") provided a 2007 preliminary taxable valuation for the District of \$457,902,027 which, with the addition of the 2006 personal property taxable value, results in an estimated net taxable valuation of \$468,527,760.

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 Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to waive the penalty and interest for Christina Penn.

5. **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 "E."

Ms. Phillips reported that she is beginning to receive deposits from the annexation property owners for the Water Plant No. 2 costs and asked if a separate account should be set up for these funds. Mr. Pennington stated that the deposits may be put in the District's Operating Account and to list them as an advance.

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, and to authorize payment of the checks listed therein.

6. **Review Bookkeeper Contract and Take Any Necessary Action.** The President recognized Ms. Phillips, who presented to and reviewed with the Board an Amendment of Bookkeeping Contract, a copy of which is attached hereto as Exhibit "F." Ms. Phillips reported that the last increase in the bookkeeper contract was in 2002. She stated that the proposed increase amounts to a 3.5% increase per year of the base fee since the last increase. Ms. Phillips stated that the hourly rates would be for work not performed on a monthly basis, such as the end of the year W-2s. Ms. Phillips stated that the investment service is not included in this contract amendment. Mr. Pennington stated that Director Soliz mentioned obtaining proposals for the bookkeeping service. The Board decided not to obtain proposals. 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 Amendment to the Bookkeeping Contract

7. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that 85% of the Wastewater Treatment Plant Expansion project is complete. Mr. Zabaneh reported that the flow monitoring demonstrates improvement in the infiltration and that there was no rain spike with the recent ten inch rain event. Mr. Zabaneh reported that the Wastewater Treatment Plant Expansion should be operational by September. Mr. Zabaneh reported that an AJOB director questioned the reason for using a diesel generator. Mr. Zabaneh reported that a diesel generator was used due to the large cost difference. He stated that the wastewater treatment plant would be able to run for two days on the diesel generator. Mr. Zabaneh reported that he is investigating the length of the average power outage in hurricane situations and if he proposes the addition of another diesel storage tank, he would do so under a new contract.

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 "G." Mr. Hastings reported that a spill occurred at the lift station, it was cleaned up and the Texas Commission on Environmental Quality has been notified.

Mr. Hastings reported that a District resident, Ms. Newsome, has been approved for a payment plan. He stated that her water usage increased to 191,000 gallons, which resulted in a bill of approximately \$1,200. He stated that Ms. Newsome has agreed to pay \$100 a month until the bill is paid off.

Mr. Hastings reported a District resident, Ms. O'Donnell, also had an increase in her water usage to 111,000 gallons in one month, which resulted in a water bill of \$833. The board approved offering Ms. O'Donnell a payment plan.

Mr. Hastings reported that a customer at 7602 Trophy Place has complained about a leaking fire hydrant. He stated that Aqua Services is waiting on parts to repair the leak and he has notified the customer of this.

Mr. Hastings reported that there was a water main break at 18710 Walden Forest. He stated that the completion of the repair was delayed by the Harris County inspector. He

reported that a District resident complained about the delay in completing the repair.

Mr. Hastings reported that there is no water line under Mr. Mack's driveway and that both insurance companies, his and the District's, rejected the claim filed by Mr. Mack. Mr. Hastings stated that Mr. Mack's neighbor had a leak for six months, which was not the District's responsibility.

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 Operator's Report, and to terminate the delinquent accounts listed therein.

9. 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 "H." Mr. Pennington explained that the Interlocal Agreement commits the District for buying Water Wise kits for the Maplebrook Elementary school children in the District to teach them water conservation.

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 Interlocal Agreement.

10. Update on Expansion of Water Plant No. 2 for proposed annexation tracts and Harris County MUD 494 for The Bridges at Lake Houston and Take Any Necessary Action. Mr. Zabaneh presented to and reviewed with the Board revised cost estimates for Water Plant No. 2, a copy of which is attached hereto as Exhibit "I." He stated that the original cost estimate was based on 900 equivalent single family connections ("ESFC") to Harris County Municipal Utility District No. 494 ("MUD 494"). Mr. Zabaneh reported that W.Y. Atlantis has not yet finalized the land plan for the Bridges at Lake Houston, but may require 1,350 ESFC. He reported that Academy Development also has not finalized its land plan and the number of ESFC it will require. Mr. Zabaneh reported that the District and Harris County Municipal Utility District No. 109 will probably have sufficient surplus sewer capacity to meet MUD 494's requirements. He stated that the cost for the sewer capacity would be approximately \$5.00 per gallon. Mr. Jones reported that the Bridges at Lake Houston is a 320 acre tract with one-third of the land lying within the City of Houston boundaries and two-thirds in the extra territorial jurisdiction of the City of Houston. Mr. Zabaneh reported that it should be required that MUD 494 agrees to the use of Aqua Services to operate Water Plant No. 2 as well as the interior lines in MUD 494, so that the Districts will have the same operator. The Board discussed whether the City of Houston would be taking an active role in setting taps for the property within the city limits. Mr. Hastings reported that currently Aqua Services provides the taps for the houses along Walden Lake that are within the city limits.

The Board discussed the need for the water provided to MUD 494 to be metered. Mr. Jones agreed that the water provided to MUD 494 will be metered. Mr. Zabaneh stated that the number of meters depends on the MUD 494 land plan. Mr. Zabaneh reported that the cost of the meters to MUD 494 is not included in the cost estimate. Mr. Pennington stated that MUD 494 should pay for the cost of the meters. Mr. Pennington reported that he has provided a draft

agreement to BGE and will provide it to MUD 494 in the near future.

Mr. Jones reported that he hopes to begin construction in the fourth quarter of 2008. Mr. Zabaneh reported that it will take approximately eighteen months to design and construct the water plant. Ms. Zapletal proposed a deadline of a week before the August Board meeting to have the deposit for construction and engineering costs and ESFC confirmation. 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 deadline of a week before the August Board meeting for the annexation tract owners and MUD 494 to provide the financial guarantee for their pro rata share of the estimated construction and engineering costs of Water Plant No. 2 and ESFC confirmation.

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 "J." Ms. Zapletal reported that the wastewater flows have improved but that additional improvement is possible.

Ms. Zapletal presented for approval Pay Estimate No. Two from Reynolds Inliner, LLC in the amount of \$137,759.40 for the Sanitary Sewer Rehabilitation, Phase III.

Ms. Zapletal reported that one connection has been completed for the modifications to the existing water meter and vault located at West Lake Houston Parkway. She stated that the contractor expects to be done by the end of the month.

Ms. Zapletal reported that Harris County has approved the plans for the Lift Station Rehabilitation. She stated that BGE will submit the plans to the City of Houston for approval. Ms. Zapletal requested authorization for BGE to advertise and receive bids for the Lift Station Rehabilitation.

Ms. Zapletal reported that BGE is awaiting receipt of the revised land plans from Academy Development. She reported that the boundary discrepancies between Academy Development and the owner of the 32 acre tract have not been resolved.

Ms. Zapletal reported that the clearing and site preparation of Water Haven, Phase I, have been completed. She stated that the Notice to Proceed for the utility construction has been issued to Pace Services for June 26, 2007.

Ms. Zapletal reported that a couple residents that live on Camp Lillie Road, located outside of the District, have inquired about obtaining sanitary sewer service from the District. She stated that the lots are located within the City of Houston and are not included in the agreement the District has with the City of Houston to provide utility service. Mr. Pennington stated that the District would require a new agreement with the City of Houston to serve those lots. The Board discussed the costs for providing service to those lots and obtaining a new agreement with the City of Houston.

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 Engineer's Report; to approve Pay Estimate No. Two from Reynolds Inliner, LLC. in the amount

