

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
September 19, 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, 18100 Walden Forest Drive, Humble, Texas 77346, at 10:00 a.m. Wednesday, September 19, 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. Karen Hauter of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Charlie LaConti of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Mr. Rusty Leared of Bob Leared Interests, tax assessor-collector for the District; Mr. David Borengasser of Montgomery and Associates, engineer for W.Y. Atlantis; Ms. Linda Loup of Southwest Securities, financial advisor for the District; Ms. Patsy Oliver of the Tribune; 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 and, in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes of the meeting of August 15, 2007.** Minutes of the meeting of August 15, 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Consider the Financial Advisor's recommendation for the 2007 Tax Rate and Authorize Publication.** The President recognized Ms. Loup, 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 "B." Ms. Loup 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. Loup reported that a debt tax rate of \$0.4014 should be sufficient to meet the District's debt service, and a maintenance and operating tax rate of \$0.0486 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 2007, a copy of which is attached hereto as Exhibit "C." 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 2007.

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 August, a copy of which is attached hereto as Exhibit "D." Mr. Leared reported a customer has requested waiver of penalty and interest on his delinquent taxes as he did not receive the tax statement. Mr. Leared reported that there is no statutory reason to waive the penalty and interest on the delinquent taxes. He stated that the homeowner purchased the home and failed to record the deed with the Harris County Appraisal District. Mr. Leared reported that the first check provided by the customer did not include the penalty and interest due. The Board discussed that it is a homeowner's responsibility to pay his taxes, even if it requires contacting the taxing entities to request the tax bill.

Mr. Leared noted that 97% of the District's 2006 taxes have been collected as of August 31, 2007. The President asked if it is significant that the rate of collection has slightly declined. Mr. Leared stated that it is not a significant decrease in the collection rate. Mr. Pennington suggested mailing duplicate tax statements addressed to residence or homeowner to avoid return of the tax bill sent to the previous homeowner. The Board discussed whether the duplicate mailing would be worthwhile. It was the consensus of the Board to have Bob Leared Interests mail duplicate tax bills with one bill addressed to homeowner instead of the name on the tax roll.

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, to authorize the expenditures listed therein, to authorize the mailing of duplicate tax statements addressed to homeowner and to deny the request for waiver of penalty and interest.

5. **Engineer's Report, including 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 "E." Ms. Zapletal presented for approval Pay Estimate No. 5 from Reynolds Inliner, LLC in the amount of \$83,443.50 for the Sanitary Sewer Rehabilitation, Phase III. She reported that the contractor is near 50% completion of the project.

Ms. Zapletal reported that the modifications to the existing water meter and vault located at West Lake Houston Parkway are complete. She presented for approval Pay Estimate No. 2 from Ben Felts Utility Construction Company in the amount of \$2,755.50 for the modifications to the existing water meter and vault located at West Lake Houston Parkway. She reported that the Texas Commission on Environmental Quality (“TCEQ”) inspected the project on August 21, 2007.

Ms. Zapletal reported that the boundary discrepancies between Academy Development and the owner of the 32 acre tract have been resolved. She stated that BGE will await the documentation of the resolution and update the District boundary map accordingly for the proposed annexations.

Ms. Zapletal presented for approval Pay Estimate No. 2 from Randy Roan Construction, Inc. in the amount of \$14,891.80 for payment by the developer for the site preparation and storm water pollution control items for Waterhaven, Phase I. She presented for approval Pay Estimate No. 1 from Pace Services in the amount of \$570,127.32 for payment by the developer for the water, sewer and storm sewer at Waterhaven, Phase I. Ms. Zapletal reported that the Waterhaven developer has asked if the Board would be interested in replacing the chain link fence around the water plant with a new concrete panel fence that will match the fencing installed for Waterhaven. She reported that the developer has also asked if the Board would consider offsetting the entrance and fence to the Water Plant by twenty feet to align with the proposed fencing for Waterhaven. Mr. Hastings reported that contractors require space to park their trucks overnight at the Water Plant within the fenced parking lot. The Board asked Ms. Zapletal to obtain a cost estimate to replace the chain link fence.

Ms. Zapletal reported that BGE has provided Texas Rainmakers a design review letter for the Farmingham Office Place Warehouses. She stated that BGE has not been provided a copy of the recorded plat and has not received the requested plan revisions. Ms. Zapletal stated that Farmingham Office Place Warehouses will not be released for taps until a copy of the recorded plat is received by BGE.

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 Engineer’s Report; to approve payment of Pay Estimate No. 5 from Reynolds Inliner, LLC in the amount of \$83,443.50 for the Sanitary Sewer Rehabilitation, Phase III; to approve payment of Pay Estimate No. 2 from Ben Felts Utility Construction Company in the amount of \$2,755.50 for the modifications to existing water meter and vault located at West Lake Houston Parkway; to approve payment by the developer of Pay Estimate No. 2 to Randy Roan Construction, Inc. in the amount of \$14,891.80 for the site preparation and storm water pollution control items for Waterhaven, Phase I; and to approve payment by the developer of Pay Estimate No. 1 from Pace Services in the amount of \$570,127.32 for the water, sewer and storm sewer at Waterhaven, Phase I.

6. 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. Ms. Zapletal presented to and reviewed with the Board the revised costs estimates for the proposed phasing plan for the construction of Water Plant No. 2, a copy of which is attached

hereto as Exhibit "F." She stated that the phased construction will allow for expenditures by the participants over a three year period. Mr. Pennington asked Mr. Borengasser if W. Y. Atlantis can proceed with this phased construction that requires an initial advance from W. Y. Atlantis of \$3,775,820.10. Mr. Borengasser reported that W. Y. Atlantis kindly requests sixty days to produce the letter of credit for such amount. Director Claytor reported noted that at the last Board meeting Mr. Zabaneh recommended BGE begin design of Water Plant No. 2. He stated that he agrees with this recommendation and stated that there will not be that much to change if a participant drops out of the project. Mr. Pennington asked Ms. Zapletal how the District would fund its share of the costs. She replied that the District could submit a request for approval to issues bonds for 45 day review to the TCEQ. Mr. Pennington asked Mr. Borengasser if W. Y. Atlantis is willing to pay for the engineering design fees whether or not the construction of Water Plant No. 2 is realized. Mr. Borengasser stated that W. Y. Atlantis agrees to pay its share of the engineering design fees of Water Plant No. 2. The Board discussed obtaining a financial commitment from Academy Development.

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 authorize BGE to design Water Plant No. 2 on funds being advanced to the District by the developers; and to authorize BGE to prepare the bond application report.

7. **Discuss and take any necessary action in connection with sale of wastewater treatment plant capacity to Harris County MUD No. 494.** Mr. Pennington reported that the Atascocita Joint Operations Board ("AJOB") will need to approve the sale of wastewater capacity to Harris County Municipal Utility District No. 494 ("MUD 494"). Director Clarey reported that the AJOB districts have the capacity available and that he expects the districts will want to participate in the selling of wastewater capacity to MUD 494. He stated that the AJOB districts will determine how much excess wastewater capacity they have available to sell to MUD 494. Director Clarey reported that MUD 494 would not have a representative in AJOB and would only be purchasing wastewater capacity.

8. **Approve Agreement with Harris County MUD No. 494 and the Developer in that District.** No action was taken on this item.

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

10. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Mr. LaConti, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "G."

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.

11. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** This item was covered under the Engineer's 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 "H." Mr. Hastings stated that Ms. Evette Donnell, on the Termination List, was paying \$100 per month and due to her large balance, he will increase the monthly payment to \$150. Mr. Hastings reported that Mr. Rodney Williams on the Termination List has moved out of the District without paying his balance.

Mr. Hastings reported that Mr. Hillard has requested an adjustment to his water bill. He reviewed Mr. Hillard's meter readings and reported that Aqua Services has verified the meter readings. Mr. Hastings reported that Andrew Tomasic has requested an adjustment to his water bill. He reviewed Mr. Tomasic's meter readings and reported that Aqua Services has verified the meter readings. Mr. Hastings reported that he has talked to both customers and informed them that the meter readings have been verified.

Mr. Hastings asked the Board if it wanted a flyer on the rules on trash collection included with the water bill. He stated that if the Board approves such flyer, he would request the flyer language from Republic Waste Services. Director DeYoung reported that a District resident that had grass clippings by the garage were not retrieved by Republic Waste Services. Director Clarey reported that that is in accordance with the back door service policies of Republic Waste Services that grass clippings be placed at the curb. It was the consensus of the Board to have Mr. Hastings insert the flyer on trash collection with the water bill.

Mr. Hastings reported that eight ligustrums have died around the shared lift station with Harris County Municipal Utility District No. 152 ("MUD 152"). He asked the Board for authorization to replace the dead shrubs with new ligustrums for a cost of \$900. Mr. Hastings asked the Board if it wanted to authorize the insert of plastic slats in the fence around the shared lift station with MUD 152 now that homes are next to the lift station. He stated that the plastic slats would block the view of the lift station and would cost \$2,566.

Mr. Hastings asked the Board for authorization for maintenance of the lift pump at the Decathlon Lift Station for an approximate cost of \$3,480.

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, to terminate service to the delinquent accounts listed therein, to deny the customer requests by Mr. Hillard and Mr. Tomasic for water bill adjustments, to authorize the purchase of eight ligustrums and plastic slats for the fence at the shared lift station with MUD 152, and to authorize the maintenance of the lift pump at the Decathlon Lift Station.

13. **Attorney's Report.** Mr. Pennington reported that new legislation allows for taxation of certain goods in transit. Mr. Leared reviewed the goods that qualify for the taxation and informed the Board that these goods are currently exempt from taxation. Mr. Leared recommended the District consider approving taxation of goods in transit at the next Board meeting.

14. **Review Investment Policy and accept related party disclosures from investment officer and bookkeeper.** The President recognized Mr. Pennington, who presented

to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "I." Mr. Pennington informed the Board that this is a District policy that requires annual review. He inquired if there were any new related party disclosures to be made, and there were none.

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 make no changes in the District's investment policy and to approve the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto.

15. **Other matters.** There were no other matters to come before the Board at this time.

16. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on October 17, 2007 at 11:30 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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