

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
October 15, 2008

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, October 15, 2008, whereupon the roll was called of the members of the Board, to-wit:

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

All members of the Board were present. Also attending all or portions of the meeting were Mr. Rick Marriott of Southwest Water Company, operator for the District; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Lisa Adkins 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 for Harris County Municipal Utility District No. 494 ("MUD 494"); 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 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 September 18, 2008.** Minutes of the meeting of September 18, 2008, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Lavey, 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.** The President recognized Mr. Jones, who reported that the current letter of credit has been amended and the expiration extended to November 2009. He stated that W. Y. Atlantis would like to delay the next \$1,600,000 letter of credit and construction for a few months while the financial markets stabilize and credit becomes more available. Mr. Zabaneh reported that BGE can wait to bid the project. He stated that Academy is fine with a delay of a couple of months as its plans are not complete. Mr. Zabaneh reported

that Harris County has signed the plans and that the City of Houston approval is waiting on the easements being worked out. Mr. Zabaneh stated that Academy estimates it will be prepared to proceed in January 2009. He stated that if W. Y. Atlantis is not ready to proceed when Academy is ready, the plans can be downsized and the District can proceed without W. Y. Atlantis. Mr. Jones stated that W. Y. Atlantis will do everything possible to proceed when Academy is ready.

3. **Ratification of actions taken at September 18, 2008 meeting:**

Mr. Thomas stated that due to the emergency agenda posting due to change in location following Hurricane Ike, he recommended the Board ratify the following actions taken at the September 18, 2008 Board meeting:

- (a) Minutes of the Meeting of August 20, 2008;
- (b) Update on service for proposed annexation tracts and Harris County MUD 494, sale of wastewater treatment plant capacity to Harris County MUD 494, approval of revised facility plan and take any necessary action;
- (c) Consider the Financial Advisor's recommendation for the 2008 Tax Rate and Authorize Publication;
- (d) Consider need for electricity proposals and take any necessary action;
- (e) Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills;
- (f) Engineer's Report including a review of Engineer's projects and capital repairs;
- (g) Bookkeeper's Report, Investment Report, payment of bills, and take any necessary actions;
- (h) Depository pledge agreement Woodforest Bank;
- (i) Review Investment Policy and accept related party disclosures from investment officer and bookkeeper;
- (j) Resolution Declaring Intent to Reimburse Expenditures.

Upon motion by Director Lavey, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to ratify the above-listed actions taken at the September 18, 2008 Board meeting.

4. **Convene Public Hearing on Proposed Tax Rate for 2008.** The President convened the public hearing on the proposed tax rate for 2008. There was no public in attendance.

5. **Adopt Order Setting Tax Rate and Levying Tax for 2008.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Setting Tax Rate and Levying Tax for 2008, a copy of which is attached hereto as Exhibit "B." Mr. Leared reported that notice of the hearing on the proposed tax rate was published. Mr. Thomas informed the Board this order levies the tax for 2008.

Mr. Leared requested the Board to authorize duplicate mailing of the tax statements to the homeowner/taxpayer in January if the taxes are still unpaid.

Upon motion by Director Lavey, seconded by Director Soliz, after full discussion

and the question being put to the Board, the Board voted unanimously to Adopt the Order Setting Tax Rate and Levying Tax for 2008 with a total tax rate of \$0.45 per \$100 assessed valuation, including a rate of \$0.3766 for debt service and \$0.0734 for operation and maintenance expenses and to authorize the mailing of duplicate tax statements addressed to homeowner in January if the taxes are still due.

6. **Consider electricity proposals and take any necessary action.** Director Clarey reported that electricity prices are decreasing. He stated that the District is currently with Direct Energy and that American Enerpower is obtaining electricity quotes for the District's consideration. Director Clarey provided to the Board the Natural Gas Chart and Competitor Analysis for the Board's review, copies of which are attached hereto as Exhibits "C" and "D," respectively. The Board discussed the optimal term for the electricity contract. Upon motion by Director DeYoung, seconded by Director Lavey, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Clarey to receive electricity bids from American Enerpower and to execute an electricity contract on behalf of the District with the lowest bidder for a thirty-six month term.

7. **Developer's Report.** Ms. Zapletal reported that ten homes are under construction and three homes have sold in Waterhaven. She reported that Dr. Manon and Dr. Quentel are coordinating drainage with Academy Development.

8. **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 September, a copy of which is attached hereto as Exhibit "E." Mr. Leared reported that 98% of the District's 2007 taxes have been collected as of September 30, 2008.

Upon motion by Director Lavey, seconded by Director DeYoung, 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.

9. **Delinquent Tax Report.** Mr. Leared provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto as Exhibit "F." 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 Delinquent Tax Report.

10. **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 "G." Ms. Zapletal reported that BGE has submitted the offsite water and sewer facilities plans to Harris County and the City of Houston. She stated that BGE will postpone advertising for bids for the project.

Ms. Zapletal reported that BGE has not received the 19100 West Lake Houston Parkway construction plans for review.

Ms. Zapletal reported that Texas Rainmaker has requested a utility capacity commitment to serve an expansion to Farmingham Place Office Warehouses located at 7937

Farmingham Drive, west of Maplebrook Elementary School. Ms. Zapletal reported that BGE recommends authorizing the capacity commitment of 419 gallons of water per day and 297 gallons of wastewater treatment per day. She stated that BGE is waiting on the revised plans for the expansion.

Ms. Zapletal reported receipt of four bids for the Olympic Village Drainage Improvements. She reported that after correcting calculation errors, Paskey Incorporated is the low bidder at \$160,025.50. Ms. Zapletal recommended award of the Olympic Village Drainage Improvement project to Paskey Incorporated. The President reported that Mr. O'Brien contacted him with concern of the appearance of the planned outfall on this project. Mr. Zabaneh stated that the outfall will include a concrete spillway. He stated that the outfall will not be on the residents' properties. Mr. Zabaneh stated that he could meet with the residents and the contractor to discuss the planned outfall. Director DeYoung stated that there is a similar spillway on Trophy Place and that it looks like a driveway. The President stated that he would contact Mr. O'Brien and inform him that BGE will work with him regarding his concerns.

Ms. Zapletal reported that BGE has provided F&J the boundary map and annexation documents for the annexation tracts other than Academy Development. She stated that BGE is awaiting finalization of the land swap between W. Y. Atlantis and Academy Development before proceeding with the annexation of the Academy Development tract.

Ms. Zapletal reported that BGE is preparing the metes and bounds for the 150 foot radius for the sanitary sewer control easement for Water Plant No. 2.

Ms. Zapletal reported that upon plan approvals for the Offsite Water Distribution System and Sanitary Sewer Facilities to serve the annexation tracts, BGE will submit the application for the use of Surplus Funds to the Texas Commission on Environmental Quality with the Board's approval. Mr. Thomas presented to and reviewed with the Board the Order Authorizing Application for Use of Surplus Funds, attached hereto as Exhibit "H."

Ms. Zapletal reported that the TCEQ has issued the wastewater treatment discharge permit.

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 the capacity commitment to Texas Rainmakers; to approve award of the Olympic Village Drainage Improvement project to Paskey Incorporated in the amount of \$160,025.50 and to approve the Order Authorizing Application for Use of Surplus Funds for the Offsite Water Distribution System and Sanitary Sewer Facilities to serve the annexation tracts.

11. Consider and approve award of contract for Olympic Village Drainage Improvement Project. This item was covered under the Engineer's Report.

12. Update on W.Y. Atlantis Letter of Credit. This item was covered under Public Comments.

13. **Update on service for proposed annexation tracts and Harris County MUD 494, sale of wastewater treatment plant capacity to Harris County MUD No. 494, and take any necessary action.** This item was covered under the Engineer's Report.

14. **Approve Order Authorizing Application for Use of Surplus Funds for Offsite Water and Sewer Facilities to Serve Proposed Annexation Tract.** This item was covered under the Engineer's Report.

15. **Atascocita Joint Operations Board ("AJOB") Report.** This item was covered under the Engineer's Report.

16. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Ms. Adkins, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "I." Ms. Adkins reported that a Certificate of Deposit ("CD") will mature on October 31. Upon review of the TexPool statement included in the Bookkeeper's Report, the Board discussed the safety of the District's investments. Mr. Thomas reported that Texpool's ratings have not declined. Ms. Adkins reported that the District is not invested in TexPool Prime. Director DeYoung stated that if TexPool's investments are U.S. securities and Treasury Bills, then TexPool is a safe investment for the District's funds. Director Clarey requested that Director DeYoung research the safety of TexPool's investments. Ms. Adkins stated that as CDs mature, the funds will be allocated among different banks. Ms. Adkins stated that MA&C monitors TexPool. The Board requested Mr. Burton from MA&C attend a Board meeting in the future to discuss the District's investments. Director Lavey stated that half of the funds from the maturing CD should be allocated to a six month term and the other half invested in a one year term.

Upon motion by Director Soliz, 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.

17. **Consider security of investments and financial institutions.** This item was covered under the Bookkeeper's Report.

18. **Operator's Report.** The President recognized Mr. Marriott, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "J." Director Clarey asked if the receivables over ninety days old is for closed accounts. Mr. Marriott reported that he was not certain. He stated that the old receivables could be written off and sent for collection. Mr. Marriott stated that he would research collections costs and collection percentage. Director Soliz stated that the deposits could be increased in order to recoup costs for residents that move without paying the water bill. Mr. Marriott reported that water termination occurs fifty to sixty days after the original due date. He stated that he did not have District loss statistics per year.

The President asked for follow up on Ms. Littlefield, who contacted him regarding unusually high water bills of 37,000 gallon usage while she is out of town half the time. Mr. Marriott stated that he would research her history and report his findings to the Board as he could not recall if her water meter had been tested.

Upon motion by Director DeYoung, seconded by Director Lavey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, and to terminate service to the delinquent accounts listed therein.

19. **Consider debris removal after Hurricane Ike.** Ms. Zapletal reported that BGE has completed the Federal Emergency Management Agency ("FEMA") forms. Mr. Marriott reported that the District has labor costs for the hurricane of \$847.24. The Board discussed the delay in pumping down the lift stations that did not have generators. Mr. Marriott stated that the lift stations were pumped down as soon as portable generators were available and any sewage in the streets was cleaned up. The Board discussed the advantages and disadvantages of natural gas generators versus diesel generators. Mr. Zabaneh stated that BGE recommends natural gas generators for small lift stations.

Director Clarey stated that Allied Waste provided the hourly and weight removal cost estimates for the District. Mr. Thomas stated that FEMA reimbursement for debris removal is uncertain. Four directors reported that debris had been removed from their streets and that the District looked in fair condition. Director Clarey favored waiting another month to see if District action is necessary.

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

21. **Resolution Declaring Intent to Reimburse Expenditures.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Resolution Declaring Intent to Reimburse Expenditures ("Resolution"), a copy of which is attached hereto as Exhibit "K." He stated that the Resolution reserves the District's right to issue bonds at a later time and reimburse itself for the Olympic Village Drainage Improvements expenditures. 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 Resolution.

22. **Other matters.** No action was taken on this item.

23. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on November 19, 2008 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 November 19, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

