

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
March 19, 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, March 19, 2008, 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 and Ms. Sorell Long of Southwest Water Company, operators for the District; Ms. Karena Hauter 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. Jerry Lavey, district resident; Mr. Louis Trapolino of Academy Development; Mr. Joe McDermott and Mr. Mike McDaniel of Christ the King Episcopal Church, a District customer; 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 February 20, 2008.** Minutes of the meeting of February 20, 2008, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.

2. **Public Comments.** The President recognized Mr. McDermott, who reported that Christ the King Episcopal Church received a water bill of \$2,254. He stated that the church's water bills previously averaged sixty dollars. Mr. McDermott reported that the church had no indication of a water leak until receipt of the water bill. He stated that the church investigated the leak and had great difficulty locating it as it was located in a waterline which went through a

swamp and woods to a school. Mr. McDermott reported that the District has credited the sewer portion of the water bill and asked if the Board could further reduce the water bill. Mr. Hastings reported that the sewer credit amounted to \$675. He stated that there is also a \$139 late penalty. Mr. Pennington asked what the cost of producing the water is. Mr. Hastings stated that the approximate cost is \$1.00 per gallon. 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 an additional \$800 credit to the water bill for Christ the King Episcopal Church.

3. **Developer's Report.** There was no Developer's Report.

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 February, a copy of which is attached hereto as Exhibit "B." Mr. Leared reported that 92% of the District's 2007 taxes have been collected as of February 29, 2008.

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

5. **Engineer's Report, including review of Engineer's projects and capital repairs.** The President recognized Ms. Hauter, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "C." Ms. Hauter presented for approval Pay Estimate No. 11 from Reynolds Inliner, L.L.C. in the amount of \$124,728.98 for the Sanitary Sewer Rehabilitation, Phase III. She stated that all line segments have been rehabilitated except for one line located in a homeowner's backyard that has mature landscaping, a pine tree, over the sanitary sewer manhole. She stated that BGE noted a small joint offset at this location but does not recommend proceeding with rehabilitation of the line segment as it is not a significant point of infiltration. Ms. Hauter recommended that service calls to the location be monitored to note if rehabilitation is necessary in the future.

Ms. Hauter reported that the Lift Station Electrical Improvements project is complete.

Ms. Hauter recommended approval of payment by the developer of Pay Estimate No. 4 to Pace Services in the amount of \$86,178.12 for storm sewer construction and box culvert installation for Waterhaven, Phase One. Ms. Hauter recommended approval of Change Order No. Four in the net amount of \$97,000.00 for offsite disposal of utility and swale excavation due to poor site conditions at the time of construction for Waterhaven, Phase One. Mr. Pennington questioned why the change order was such an increase in cost. Ms. Hauter stated that she would investigate the change order and report her findings at the next Board meeting.

Ms. Hauter reported that the contractor completed the installation of the second stage storm inlets for Waterhaven, Phase One, and a Texas Commission on Environmental Quality ("TCEQ") inspection was performed on March 6, 2008. She stated that the contractor is completing the punch list items.

Ms. Hauter reported that Storm Water Solutions will proceed with the renewal of the Storm Water Quality permit for the small area at the water plant site.

Ms. Hauter reported that the City of Houston has approved the revised conceptual layout of the offsite water and sewer facilities to serve the proposed annexation tracts. She stated that BGE is awaiting construction plans for the existing Harris County Municipal Utility District No. 152 facilities along West Lake Houston Parkway and the revised land plan for the 84 acre tract in order to proceed with the layout of the water transmission lines to the water plant site and other details.

Ms. Hauter reported on the annexation proceedings. She stated that BGE is awaiting the recorded correction deed from Academy Development for the 84 acre tract and new title report referencing the correction deed. She stated that after payment of BGE's February invoice, the balance of the 30 acre tract annexation deposit may be refunded to Mr. Wheless. Ms. Hauter requested Board authorization to refund approximately \$1,062 to Eagle Lake Garden & Nursery. She stated that Dr. Ameri has a balance due of \$1,952.94 for the remainder of his share of the water plant construction costs.

Ms. Hauter reported on Water Plant No. 2 construction. She stated that BGE is awaiting the revised land plan from Academy Development to determine if changes to the water plant site are necessary. Mr. Trapolino stated that Academy Development is working on the correction deed and that the lots have increased in size on the land plan.

Ms. Hauter reported that AJOB has approved the selling of wastewater treatment capacity to Harris County Municipal Utility District No. 494 ("MUD 494") based on ownership percentage among the AJOB districts. She stated that the District has approved the sale of 115,400 gpd of wastewater treatment capacity to MUD 494. Ms. Hauter reported that AJOB is currently studying the costs of wastewater treatment plants to determine the appropriate purchase price per gallon for the 430,000 gallons requested by MUD 494. Director Clarey reported that AJOB meets next week and will consider the purchase price at that time plus the cost for use of the trunkline.

Ms. Hauter reported that BGE is addressing comments by the attorney and financial advisor on the draft bond issuance report. She stated that BGE will need the agreements for Water Plant No. 2 before proceeding with submittal to the TCEQ.

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. 11 from Reynolds Inliner, L.L.C. in the amount of \$124,728.98 for the Sanitary Sewer Rehabilitation, Phase III; to approve payment by the developer of Pay Estimate No. 4 to Pace Services in the amount of \$86,178.12 for storm sewer construction and box culvert installation for Waterhaven, Phase One; and to approve the refund to Eagle Lake Garden & Nursery of approximately \$1,062.

6. **Annexation Issues.** Mr. Pennington reported that Academy Development has two tracts. He stated that Academy Development needs to provide the correction deed for the 84 acre tract. Mr. Pennington noted that Academy Development has a title issue for the 30 acre

tract planned for detention. He informed Mr. Trapolino that the District is willing to proceed with the eminent domain process when Academy Development is ready to deposit the funds for the legal costs and proceed with the matter. Academy is also to decide if it is willing to incur the legal costs regarding the condemnation matter.

**7. 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.** This item was covered under the Engineer's Report.

**8. Discuss and take any necessary action in connection with sale of wastewater treatment plant capacity to Harris County MUD No. 494.** This item was covered under the Engineer's Report.

**9. Discuss and take action on any refunds or requests for additional funds for annexation deposits and facility construction deposits.** Upon motion by Director Clatyor, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the refund to Eagle Lake Garden & Nursery once the bookkeeper confirms with Ms. Zapletal the amount to be refunded.

**10. 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 "D." Ms. Phillips reported that check number 2502, written in November to refund Eagle Lake Garden & Nursery, was voided and check number 2666 was prepared to replace the check. She stated that check number 2627 for \$13,000 as the backup check for payment for the running track construction at Maplebrook Elementary was voided. Mr. Pennington noted that the payment should be listed as a contract payment, not a donation.

Ms. Phillips presented to and reviewed with the Board the proposed budget for fiscal year ending March 31, 2009, included in the Bookkeeper's Report. Ms. Phillips reported that the Harris County Municipal Utility District 109 Schedule B and C Costs in the proposed budget may be revised and that she needed to confirm with the District engineer.

Ms. Phillips presented to and reviewed with the Board documentation related to a \$15,006.67 adjustment originating from the 2005 audit, a copy of which is attached hereto as Exhibit "E." Ms. Phillips reported that the adjustment was first noted in the 2005 audit and was not cleared in the 2006 audit. She stated that it appears to be a double payment to LTG Enterprises in November 2004 and December 2004 for televising and cleaning of the sewer lines. Ms. Phillips noted that the November payment in the Bookkeeper's Report has the payee as LTG Enterprises; however, the December payment, for the same amount, has Insituform Technologies, Inc. as the payee. She stated that LTG Enterprises is no longer in business. Mr. Hastings noted that LTG Enterprises may have been purchased by another company. Mr. Pennington stated that perhaps a claim could be filed for the payment. Ms. Phillips reported that Progressive Data Management was the District's bookkeeper at that time. Mr. Leared reported that he would check the insurance of Progressive Data Management at that time.

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, to authorize payment of the checks listed therein, and to approve the proposed budget for fiscal year ending March 31, 2009.

11. **Adopt budget for fiscal year ending March 31, 2009.** This item was covered under the Bookkeeper's Report.

12. **Contract with Maplebrook Elementary School for joint construction of running track.** This item was deferred.

13. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that the final TCEQ inspection of the wastewater treatment plant expansion occurred and no punch list items were noted. He stated that the District may receive a refund from the project.

Director Clarey reported that the wastewater treatment capacity terms of sale to Harris County Municipal Utility District No. 494 will be finalized at the next meeting.

14. **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 "F." Mr. Hastings reported that a resident on Mallardcrest Drive drove a fencepost into a waterline five feet below ground. He stated that Southwest Water Company repaired the waterline for an approximate cost of \$1,000. Mr. Hastings reported that the resident failed to contact Southwest Water Company for identification of the waterlines before digging. The Board instructed Mr. Hastings to charge the resident for the waterline repair costs.

Mr. Hastings reported that additional repairs have been identified during the District's valve survey. He stated that a valve cannot be located at Cedar Jump and requested authorization for the \$2,500 expenditure to install a valve at the location. Mr. Hastings requested authorization to install a new valve on Trophy Place as the existing valve is located in a resident's driveway.

Mr. Hastings reported that there was an occurrence of poor smelling water in the District which was found to be due to a chemical induction pump not functioning properly. He stated that once the pump was repaired, the water smell improved except for allegedly Ms. Adkins. Mr. Hastings reported that Ms. Adkins' tap was relocated. He reported that he asked Ms. Adkins if she has flushed her hot water heater, as he recalled this can also cause poor smelling water. He stated that Ms. Adkins could not recall if that has been done. Mr. Hastings stated that there is nothing further that can be done externally for Ms. Adkins and that if the issue continues, it must be an internal problem.

Director Clarey asked for Board approval to add a message on the water bills notifying residents of the Emergency Services District election on May 10 and the voting information. The Board authorized Mr. Hastings to add the election information to the water bill.

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

