

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
April 16, 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, April 16, 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. Also attending all or portions of the meeting were Mr. Gary Hastings 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. Cory Burton of Municipal Risk Management Group, L.L.C.; Mr. Bob Leared and Mr. Chris Kohnke of Bob Leared Interests, tax assessor-collectors for the District; Mr. Jerry Lavey, district resident; 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 March 19, 2008.** Minutes of the meeting of March 19, 2008, 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 such minutes, as presented.

2. **Public Comments.** There were no public comments.

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 March, a copy of which is attached hereto as Exhibit "B." Mr. Leared reported that 93% of the District's 2007 taxes have been collected as of March 31, 2008.

Mr. Leared provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "C." He stated that the delinquent 2007 tax accounts would be turned over to Perdue for collection on July 1, 2008.

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 and to authorize the expenditures listed therein.

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 "D." Ms. Zapletal presented for approval Pay Estimate No. 12 from Reynolds Inliner, L.L.C. in the amount of \$168.75 for the Sanitary Sewer Rehabilitation, Phase III. She stated that the Texas Commission on Environmental Quality inspection was held on April 10, 2008, and that the contractor is addressing the punch list items.

Ms. Zapletal reported that Storm Water Solutions has provided a proposal for maintenance of the Waterhaven stormceptor, which requires clarification by Storm Water Solutions. Ms. Zapletal reported that the estimate of \$7,500 has been provided to the bookkeeper for budgeting purposes. She stated that the District will be responsible for maintenance of the stormceptor and that the final maintenance proposal by Storm Water Solutions will be in the name of the District instead of Waterhaven.

Mr. Zabaneh 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. He stated that due to the Waterhaven location, the disposal of the swale and utility excavation was necessary. Mr. Zabaneh reported that the price bid for the removal and disposal was consistent and that the bids are attached to the Engineer's Report.

Ms. Zapletal reported that Academy Development has provided the revised land plan for the Merrylands development, and that the water plant and lift station site locations are now finalized. She stated that water transmission lines to the water plant site are being coordinated with Academy Development and W. Y. Atlantis. Ms. Zapletal reported that Academy Development has confirmed it will provide a waterline easement to the proposed water plant site for the water transmission lines. She reported that W. Y. Atlantis will provide a temporary easement to allow BGE to survey the proposed water plant site. Ms. Zapletal reported that BGE will proceed with the final design of the water plant, lift station and offsite waterline and force main. She stated that BGE is coordinating this with the drainage lines for W. Y. Atlantis. Mr. Pennington stated that the District will probably proceed with annexation of the 34 acres for detention for Academy Development without the seven lots with title issues and then proceed with condemnation of those seven lots. Ms. Zapletal provided a proposal by

Professional Service Industries, Inc. (“PSI”) for a geotechnical report for the proposed water plant, included in the Engineer’s Report. She stated that the proposal is for \$3,950; however, an area needs to be cleared for a truck to get to the proposed water plant site to take two borings. Ms. Zapletal recommended Board approval for PSI to proceed with the geotechnical report if the cost for clearing the area to take the borings is less than \$5,000 and if the clearing costs quoted by PSI are greater than \$5,000, to authorize BGE to solicit bids for clearing of the water plant site. Ms. Zapletal requested Board authorization to proceed with a geotechnical report from PSI for the proposed lift station site if the proposal amount does not exceed \$7,000 and to authorize BGE to solicit bids if the proposal amount is greater than \$7,000 including clearing costs.

Ms. Zapletal reported that AJOB is currently studying the costs of wastewater treatment plants to determine the appropriate purchase price per gallon for the wastewater treatment and trunk line conveyance requested by Harris County Municipal Utility District No. 494.

Mr. Pennington asked if BGE would write a letter to Mr. Manon regarding the cost difference between proceeding with drainage and detention with Academy Development versus managing drainage to the south or on-site as this will be a reimbursable cost that should be minimized as much as possible. Mr. Zabaneh stated that BGE would write a letter and discuss the drainage and detention costs with Mr. Manon.

Ms. Zapletal reported that the Wastewater Treatment Plant Expansion is complete. She stated that the wastewater treatment plant discharge permit is delayed; however, no penalties will be incurred as the renewal application was submitted before the deadline.

Mr. Pennington reported that an agreement for funding of the lift station and force main with W. Y. Atlantis will be required for the bond application. He requested the Board authorize the lift station and force main agreement with W. Y. Atlantis and circulation of such agreement for execution as necessary.

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 payment of Pay Estimate No. 12 from Reynolds Inliner, L.L.C. in the amount of \$168.75 for the Sanitary Sewer Rehabilitation, Phase III; to approve Change Order No. Four in the net amount of \$97,000.00 for offsite disposal of utility and swale excavation for Waterhaven, Phase One; to approve PSI for the geotechnical report of the proposed water plant site if the clearing cost is less than \$5,000; to authorize BGE to solicit bids for clearing of the proposed water plant site if the clearing cost quoted by PSI is greater than \$5,000; to approve PSI for the geotechnical report for the proposed lift station site if the proposal amount does not exceed \$7,000; to authorize BGE to solicit bids if PSI’s proposal amount is greater than \$7,000 for the proposed lift station site; and to approve a lift station and force main agreement with W. Y. Atlantis and circulation of such agreement for execution as necessary.

6. **Annexation Issues.** This item was covered under the Engineer’s Report.

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 Water Supply Agreement and Waste Disposal Contract with Harris County MUD No. 494 for The Bridges at Lake Houston and take any necessary action.** Ms. Zapletal reported that the average daily water demand for equivalent single family connection was changed from 350 gallons per day to 420 gallons per day. 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 Water Supply Agreement with WYA The Bridges on Lake Houston, Ltd, a copy of which is attached hereto as Exhibit "E."

10. **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 "F." Ms. Adkins reported that check numbers 2704 through 2720 are reimbursements for the annexation deposit for the Wheless tract. She reported that check numbers 2722 through 2724 are for engineering for Water Plant No. 2 and offsite facilities which will be held until receipt of the funds drawn on the letters of credit.

Ms. Adkins reviewed the Amended Budget for fiscal year ending March 31, 2009, included in the Bookkeeper's Report. She noted that line items 16618 through 16622 were additions from BGE. Mr. Zabaneh reported that the additional items include drainage improvements in Olympic Village at the intersection of Hikers Trail Drive and Cross Country Drive and addition of a waterline to connect Waterhaven to the Water Plant No. 1. He reported that a fence was installed on top of drainage easement in Olympic Village. Mr. Zabaneh reported that letters will need to be written to the residents to inform them of the necessary fence removal from the drainage easement. He stated that the recommended drainage improvements include the addition of six inlets, a storm sewer and a concrete lined swale to direct the overflow to the ditch.

Director Clarey asked why such a large decrease in electricity usage. Mr. Hastings stated that it may be due to the recent lift station improvements or small amount of rain recently.

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, to approve the proposed amended budget for fiscal year ending March 31, 2009; and to authorize BGE to proceed with the proposed drainage improvements in Olympic Village and draft a letter to the residents regarding the fence removal with approval of said letter by Mr. Pennington.

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

12. **Consider proposal for arbitrage compliance management by Municipal Risk Management Group.** The President recognized Mr. Burton, who presented to and reviewed with the Board an engagement letter with Municipal Risk Management Group, L.L.C., ("MRMG") to manage the District's compliance with arbitrage regulations, a copy of which is attached hereto as Exhibit "G." Mr. Burton reported that for bond issues greater than \$5,000,000, a formal arbitrage report is necessary, which can be arranged with Arbitrage Compliance Specialists. He stated that MRMG focuses on capital project fund yield restriction requirements for bond issues less than \$5,000,000. Mr. Burton reported that a utility district is not allowed to earn more on bond proceed investments than the interest rate of the bond issuance. He stated that MRMG will review the capital fund yields for a utility district and request a yield restriction report from Arbitrage Compliance Specialists when necessary. Mr. Burton reported that the yield restriction and rebate calculation analysis will be \$150 per hour plus an annual maintenance fee. 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 engagement letter with MRMG for yield restriction and rebate calculation analysis.

13. **Consider engagement letter for arbitrage compliance management with Arbitrage Compliance Specialists.** No action was taken on this item.

14. **Contract with Maplebrook Elementary School for joint construction of running track.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Recreational Facilities Agreement with Humble Independent School District, a copy of which is attached hereto as Exhibit "H." 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 Recreational Facilities Agreement with Humble Independent School District.

15. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that the District's new capacity percentage increased by about 2%, which will result in a slight increase in costs due to a larger share of the wastewater treatment plant capacity. He stated that the District will receive a refund from the Wastewater Treatment Plant Expansion project.

16. **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 "I." Mr. Hastings presented to and reviewed with the Board the 2007 Drinking Water Quality Report/Consumer Confidence Report, included in the Operator's Report. He reported that the Consumer Confidence Report will be mailed to the residents before July 1, 2008. Mr. Hastings reported that there are no violations of the District's drinking water quality standards.

Mr. Hastings reported that Ms. Adkins contacted him again to report poor smelling water. He stated that Ms. Adkins reported that her neighbor also had an issue with the water. Mr. Hastings stated that he requested that the neighbor contact him to discuss the matter

