

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
June 18, 2008

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 regular session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Wednesday, June 18, 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, except Director Soliz. 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 and Ms. Anna Teplyakova of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeepers for the District; Mr. Chris Kohnke of Bob Leared Interests, tax assessor-collector 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 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 May 21, 2008.** Minutes of the meeting of May 21, 2008, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Developer's Report.** Ms. Zapletal reported that the model home was completed and a realtor event was held to promote the Waterhaven subdivision. She reported that eight homes are under construction by David Weekley Homes and two homes have sold in Waterhaven.

4. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Mr. Kohnke, 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 "B." Mr. Leared reported that 95% of the District's 2007 taxes have been collected as of May 31, 2008.

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 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 "C." Ms. Zapletal reported that the bookkeeper is still holding the check for Pay Estimate No. 13 from Reynolds Inliner, L.L.C. in the amount of \$149,122.65 for the Sanitary Sewer Rehabilitation, Phase III. She reported that the check will be held until BGE receives verification of the final signature from the contractor and receipt of the consent of surety.

Ms. Zapletal requested approval and signature of the Notice of Termination for the phase one of Waterhaven. She stated that the contractor has completed addressing the punch list from the Texas Commission on Environmental Quality ("TCEQ") inspection. Ms. Zapletal reported that the old fence at the Water Plant would be removed when the contractor is back on site, which is expected by the end of next week.

Ms. Zapletal reported that BGE has completed preparation of the plans for the offsite water and sewer facilities to serve the proposed annexation tracts. She stated that the plans will be submitted to the City of Houston, Harris County and the TCEQ for review. Ms. Zapletal reported that BGE has received a proposal from Professional Service Industries, Inc. ("PSI") of \$9,100 for a geotechnical report for the proposed offsite facilities to serve the proposed annexation. She requested Board authorization to proceed with the preparation of the geotechnical report and approval of the PSI proposal.

Ms. Zapletal reported that Academy Development has signed the waterline easements which have been recorded in Harris County Real Property Records. She stated that Academy Development has signed the deeds for the Water Plant No. 2 site and Lift Station No. 4, which have been recorded in Harris County Real Property Records. Ms. Zapletal reported that BGE has prepared the sanitary sewer easements along West Lake Houston Parkway, which have been sent to the tract owners for signature.

Ms. Zapletal reported that BGE is preparing the construction plans for the Olympic Village Drainage Improvements.

Ms. Zapletal reported that BGE provided the utility and drainage plans to Edge's Technical Consultants for their use in preparing the construction plans.

Ms. Zapletal reported that BGE reviewed Harris County plans for sidewalks along West Lake Houston Parkway between Aerobic Avenue to 660 feet south of Lonesome Woods Trail.

Ms. Zapletal reported that the owner of the 2.9 acre tract has decided not to pursue annexation into the District at this time.

Ms. Zapletal reported that Academy Development is not recording the correction deed at this time. She stated that BGE prepared a boundary verification survey for the 84 acre tract proposed for annexation and will prepare the metes and bounds description based on the survey. Ms. Zapletal reported that the submittal to the City of Houston will include the original deed for the 89 acre tract and reference 84 acres of such tract.

Ms. Zapletal reported that the owner of the 4.49 acre tract has provided the necessary annexation deposits and his share of the proposed facility costs.

Mr. Pennington reported that the engineer for Harris County Municipal Utility District No. 494 (“MUD 494”) stated that the proposed thirty acres owned by Academy Development planned for detention are located in the City of Houston. Mr. Pennington stated that the City of Houston’s consent would be necessary for the District to annex the thirty acres into the District. He recommended that the District not proceed with annexation of the thirty acres at this time as the title is not clear on the thirty acres. Mr. Pennington stated that eminent domain may be used outside of the District for certain uses and that the engineer and he believe detention is one of such uses. Ms. Zapletal reported that MUD 494 held its organizational meeting. Mr. Pennington recommended that the bond application be submitted once the plans are approved to allow time for the letters of credit to be obtained from the developers for the construction costs of the water plant and offsite facilities to include in the bond application.

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 and authorize signature of the Notice of Termination for the phase one of Waterhaven; and to approve the proposal by PSI for \$9,100 for a geotechnical report for the proposed offsite facilities to serve the proposed annexation tracts.

6. **Consider annexation of 2.9 acre tract.** This item was covered under the Engineer’s Report.

7. **Approve Annexation Agreement, Master Sales Agreement and Lease of Facilities, Financial Guaranty and Reimbursement Agreement with Jess Fields for 4.5 acre tract.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Annexation Agreement, Master Sales Agreement and Lease of Facilities, Financial Guaranty and Reimbursement Agreement with Jess Fields for 4.5 acre tract, copies of which are attached hereto as Exhibits “D,” “E,” and “F,” respectively. Director Lavey noted that the Annexation Agreement says the tract will be developed for residential purposes, which conflicts with the plan for a funeral home. He also stated that the Annexation Agreement states the tax rate is \$0.45 and likely to continue at that rate. Director Lavey suggested that it be changed to state that the tax rate may vary from year to year.

Director Lavey stated that agreement to be included into the District’s Strategic Partnership Agreement with the City of Houston should be included in the Annexation Agreement. Mr. Pennington stated that he would prepare an amendment regarding inclusion into

the Strategic Partnership Agreement as all of the other proposed annexation tract owners have already signed the agreements.

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 Annexation Agreement, Master Sales Agreement and Lease of Facilities, Financial Guaranty and Reimbursement Agreement with Jess Fields with the suggested changes for the Annexation Agreement regarding the use of the property and the tax rate.

8. **Update on annexation issues and any necessary action.** This item was covered under the Engineer's Report.

9. **Update on Expansion of Water Plant No. 2 for proposed annexation tracts and Harris County MUD 494, sale of wastewater treatment plant capacity to Harris County MUD 494 and Take Any Necessary Action.** This item was covered under the Engineer's Report.

10. **Atascocita Joint Operations Board ("AJOB") Report.** Director Clarey reported that the District received a \$140,000 refund from the Wastewater Treatment Plant Expansion project. Ms. Adkins confirmed receipt of the payment and stated that it was deposited in the Capital Projects Fund.

Director Clarey reported that Harris County Municipal Utility District No. 132 has a new representative at AJOB.

Director Clarey stated that the insurance was renewed at the last AJOB meeting. He stated that the electricity bills for the wastewater treatment plant are as high as \$50,000 to \$60,000 each month.

The Board discussed the revenue from the sale of wastewater treatment capacity to MUD 494 and whether the tax rate may be lowered from such revenue or if it could be used for the Water Plant No. 2 construction costs. Mr. Pennington stated that he would contact the District's financial advisor on the optimal use of the future revenue.

11. **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 "G." Ms. Adkins requested the Board's signature on the request to draw on the developers' letters of credit for the engineering costs for the Water Plant No. 2 and offsite facilities. She requested authorization to release the checks to BGE for the engineering costs for the Water Plant No. 2 and offsite facilities. Ms. Adkins stated that the District's annual expense budget is approximately \$1,800,000 and if BGE is paid for the engineering costs for Water Plant No. 2 and the offsite facilities that the District's Operating Fund will be below a one year reserve.

Ms. Zapletal stated that the Board may want to consider not renewing the three Certificates of Deposit that are maturing in the next few months in order to have funds available for Water Plant No. 2 construction costs that may be incurred prior to the sale of the bonds.

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 Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve release of the checks to BGE for the engineering costs for the Water Plant No. 2 and offsite facilities.

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." Director Clarey asked on the status of the water well and aquifer the District draws on for water. Mr. Hastings reported that the water level is increasing as surface water use increases. He stated that the water well submergence is checked twice a year.

Mr. Hastings reported that the resident who drove a fencepost into a waterline on Mallardcrest Drive has agreed to pay an additional \$75.00 a month until the waterline repair cost is paid.

Mr. Hastings reported that he has not heard from Ms. Adkins. He stated that he heard from the neighbor across the street from Ms. Adkins regarding the smell of her clothes. Mr. Hastings reported that he informed the resident that her water has been tested and found to be fine. He stated that he explained to the resident that the problem is in the drain from the washer which needs to be inspected by a plumber. Mr. Hastings stated that he has not heard from the resident again.

Mr. Hastings reported that a resident requested a bill adjustment for a sprinkler leak. He offered to send a letter to the resident that the District must charge for water provided.

Director DeYoung reported that a neighbor asked why the District does not have recycling. Mr. Hastings reported that utility districts do not usually have recycling as it costs approximately \$3.00 per house per month. He stated that when utility districts perform resident surveys on recycling, the residents usually do not want recycling. Mr. Hastings stated that communities usually have drop off locations for recycling. The Board asked Mr. Hastings to put a message on the water bill that recycling can be dropped off at Maplebrook Elementary School.

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, to terminate service to the delinquent accounts listed therein; to authorize the operator to send a letter denying the request for a water bill adjustment for a sprinkler leak and to authorize the operator to put a message on the water bill that recycling can be dropped off at Maplebrook Elementary School.

13. **Attorney's Report.** There was no Attorney's Report.
14. **Bond matters and take any necessary action.** No action was taken on this item.
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 July 16, 2008 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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The foregoing minutes were passed and approved by the Board of Directors on July 16, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

