

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
September 18, 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 special session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:00 a.m. Thursday, September 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. 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; Ms. Linda Loup of Southwest Securities, financial advisor for the District; Ms. Julianne Kugle of Coats, Rose, Yale, Ryman & Lee, attorney for Harris County Municipal Utility District No. 494 ("MUD 494"); 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 20, 2008.** Minutes of the meeting of August 20, 2008, 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. **Operator's Report.** Ms. Adkins reported that there is sewage in the streets at Sports Haven Drive and Trophy Place Drive in the District. Mr. Zabaneh reported that there is a natural gas generator at the lift station shared with Harris County Municipal Utility District No.

132, but no generators at the two smaller lift stations. Mr. Marriott stated that he would have a portable generator brought to the two smaller lift stations and arrange for the clean up of the sewage. Mr. Zabaneh reported that the wastewater treatment plant has electricity.

Mr. Marriott reported that the District's water plant was being powered by a diesel generator. He stated that there is some difficulty obtaining diesel fuel but expects that to improve as more utility districts have electricity restored. Mr. Marriott stated that the fuel tank is being topped off each day. He stated that there is a low risk of running out of diesel fuel. The Board discussed ways to decrease the power usage at the water plant until the electricity is restored. Mr. Marriott stated that lowering the water pressure may encourage water conservation. Mr. Pennington stated that lower water pressure may impact fire protection in the District. Mr. Zabaneh stated that if the District runs out of diesel, the District may use the interconnect with Harris County Municipal Utility District No. 132 ("MUD 132"). Mr. Pennington stated that it first needs to be determined if MUD 132 has water available to provide to the District. The President asked that Mr. Marriott contact MUD 132 to determine if it has water available to provide to the District. Mr. Marriott stated that the District's facilities are on the priority list for electricity restoration. Director Lavey stated that the residents should be notified to conserve water. It was the consensus of the Board to arrange for the printing and distribution of flyers to the residents to conserve water until electricity is restored to the District.

Mr. Marriott presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "B." He reported that Southwest Water Company is recommending suspension of water termination until next month.

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 approve the Operator's Report, and to authorize the cleanup of the sewage, utilization of a portable generator at the lift stations and any action necessary to maintain operation of the District facilities.

**4. 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.** The President recognized Mr. Zabaneh, who presented to and reviewed with the Board the Phase I Project Cost Summary, a copy of which is attached hereto as Exhibit "C." Mr. Pennington asked if the change in project will impact the elevated storage tank waiver by the Texas Commission on Environmental Quality ("TCEQ"). Mr. Zabaneh reported that the elevated storage tank waiver was based on performance specifications and that those specifications will be upheld with the revised plans. He stated that the TCEQ will be updated as the connections are added in the District. Mr. Zabaneh reported that the addition of the 10,000 gallon hydropneumatic tank will add approximately 370 equivalent single family connections ("ESFC"), which will be allocated among the proposed annexation tracts and MUD 494. He stated that approximately 300 ESFC will be allocated to MUD 494 and Academy Development, and the remainder will be allocated to the smaller tracts. Mr. Pennington asked if Dr. Manon and Dr. Quentel had been informed of this project change. Mr. Zabaneh stated that he was waiting on Board approval before discussing the change with Dr. Manon and Dr. Quentel.

Mr. Zabaneh presented to and reviewed with the Board the letter to Harris County

which states that the District agrees to maintain the proposed water and sanitary sewer lines along West Lake Houston Parkway, a copy of which is attached hereto as Exhibit "D." He stated that the letter is required by Harris County for approval of the plans of the water and sanitary sewer lines along West Lake Houston Parkway to serve the proposed annexation tracts. Mr. Pennington stated that the Annexation Agreement with MUD 494 dictates payment for the cost of operation but not for maintenance. Director Lavey stated that it would be best if the District can secure an interest in the MUD 494 property in case MUD 494 goes bankrupt. Mr. Zabaneh estimated that the maintenance costs for the lift station would not be significant and that the District would still be using the utility lines to serve the proposed annexation tracts even if MUD 494 became insolvent. Mr. Pennington stated that MUD 494 could provide an eighteen month deposit for the maintenance of the utility lines. Ms. Kugle stated that MUD 494 would agree to that provision.

Mr. Zabaneh reported that the design of the offsite water distribution system and sanitary sewer trunk utilities are complete. He stated that the plans for Water Plant No. 2, Phase 1, Lift Station No. 4 and improvements to the existing shared lift station with Harris County Municipal Utility District No. 153 will be submitted this week. Mr. Zabaneh reported that the design of the hydropneumatic tank at Water Plant No. 1 will begin if the Board approves the revised plan.

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 revised Offsite Water and Sewer Facilities, Phase 1 to serve the annexation tracts, to authorize BGE to design the hydropneumatic tank for the revised plan and to authorize F&J to revise the necessary agreements for the revised plan and eighteen month deposit for maintenance of the utility lines.

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 letter to Harris County assuming maintenance of the proposed water and sanitary sewer lines along West Lake Houston Parkway contingent upon the deposit by MUD 494 for maintenance of the utility lines.

**5. Letter to Harris County assuming maintenance of water and sewer lines for proposed annexation tracts.** This item was covered under Item 4.

**6. Authorize draw on W. Y. Atlantis Letter of Credit.** Mr. Pennington stated that the W. Y. Atlantis Letter of Credit will expire November 21, 2008 and that the District needs to withdraw the remainder of the Letter of Credit prior to 45 days of the expiration. Ms. Kugle reported that W. Y. Atlantis is renewing the Letter of Credit. 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 authorize the President to sign the necessary draw on the Letter of Credit if W. Y. Atlantis fails to renew the Letter of Credit prior to 45 days before of expiration.

**7. Consider the Financial Advisor's recommendation for the 2008 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 "E." 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 \$0.3766 should be sufficient to meet the District's debt service, and a maintenance and operating tax rate of \$0.0734 for maintenance expenditures. She stated that the calculations were conservative with no increase in assessed valuation. 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 2008, a copy of which is attached hereto as Exhibit "F." 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 Clarey, seconded by Director Lavey, 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 2008.

8. **Consider need for electricity proposals and take any necessary action.** Ms. Deitrick reported that the District's electricity contract expires November 30, 2008. She stated that Mr. Harrington could not attend the meeting but has provided a Letter of Authorization for him to obtain electricity quotes for the District, a copy of which is attached hereto as Exhibit "G." 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 execution of the Letter of Authorization and to authorize Director Clarey to execute an electricity contract on behalf of the District.

9. **Developer's Report.** Ms. Zapletal reported that eight homes are under construction and two homes have sold in Waterhaven. She reported that hardscaping is 90% complete and irrigation is being installed for the landscaping.

10. **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 "H." Mr. Leared reported that 97% of the District's 2007 taxes have been collected as of August 31, 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.

11. **Delinquent Tax Report.** No action was taken on this item.

12. **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 "I." Ms. Zapletal presented to and reviewed with the Board the Storm Water Quality Permit Application for the vegetative strip by Water Plant No. 1, a copy of which is attached hereto as Exhibit "J." Ms. Zapletal requested approval of and authorization for signature by the President of the application for management by Storm Water Solutions.

Ms. Zapletal reported on the Olympic Village Drainage Improvements. Ms. Zapletal reported that two bids were received, in the amounts of \$85,863.0 and \$328,140.00. She recommended re-bidding the project due to the low number of bids and large disparity in the bid totals. Ms. Zapletal requested Board authorization to re-bid the project. She stated that BGE is preparing the letters to the residents which have installed fences on the public right-of-way which will be impacted by the project.

Mr. Zabaneh reported that the TCEQ has provided the draft wastewater treatment discharge permit.

Upon motion by Director Clarey, seconded by Director Lavey, 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 the President to sign the Storm Water Quality Permit Application for the vegetative strip at Water Plant No. 1 and to authorize BGE to re-bid the Olympic Village Drainage Improvement project.

The President requested that Mr. Zabaneh research a larger fuel tank at the water plant and the addition of generators at the lift stations.

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

**14. Atascocita Joint Operations Board ("AJOB") Report.** Director Clarey reported that AJOB meets next Tuesday, at which time the odor issue at the apartments will be discussed. Mr. Zabaneh reported that a piece of equipment that removes debris at the wastewater treatment plant broke. He stated that the manufacturer has been contacted for replacement of the equipment and that the operator and BGE are working on a temporary solution to the problem in the meantime.

**15. 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 "K."

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 Bookkeeper's Report and to authorize payment of the checks listed therein.

**16. Depository pledge agreement with Woodforest Bank.** The President recognized Ms. Adkins, who requested the Board approve the Depository Pledge Agreement with Woodforest Bank for a Certificate of Deposit. 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 Depository Pledge Agreement with Woodforest Bank, a copy of which is attached hereto as Exhibit "L."

**17. 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 "M." 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 DeYoung, 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.

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

19. **Resolution Declaring Intent to Reimburse Expenditures.** The President recognized Mr. Pennington, 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 "N." He stated that the Resolution reserves the District's right to issue bonds at a later time and reimburse itself for the offsite water and sewer facilities to serve the proposed annexation tracts, phase 1 expenditures. 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 Resolution.

20. **Other matters.** Director Soliz reported that he is compiling recycling information to be provided to the residents with the water bill. He reviewed with the Board the tax exemptions provided by neighboring utility districts.

21. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on October 15, 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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