

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
March 18, 2009

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 18, 2009, 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 ("Southwest Water"), operator for the District; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Cory Burton 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. Mike McCall of McCall, Gibson & Company, auditor for the District; Mr. Gary Hastings of Municipal Operations & Consulting, and Mr. Neil Thomas, Ms. Kathleen Ellison 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 18, 2009.** Minutes of the meeting of February 18, 2009, 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. **Engage auditor for fiscal year ending March 31, 2009.** The President recognized Mr. McCall, who presented to and reviewed with the Board an engagement letter for fiscal year ending March 31, 2009, a copy of which is attached hereto as Exhibit "B." Mr.

McCall presented to the Board a letter and questionnaire regarding the Statement of Auditing Standard No. 99. Mr. McCall reported that the directors are now a central cog in the financial report process of reporting fraud and requested the directors contact him with any concerns they have. Mr. McCall requested that the Board consider engaging the services of McCall, Gibson & Company to prepare the District's annual audit for fiscal year ending March 31, 2009, at an estimated cost of \$14,500 to \$16,500.

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 engage the services of McCall, Gibson & Company to prepare the District's audit for fiscal year ending March 31, 2009, and to authorize the execution of the engagement letter.

4. **Developer's Report.** The President recognized Ms. Zapletal, who reported that David Weekly sold two lots for custom homes. She reported that she provided service letters to David Weekly for the lots in Waterhaven located within the City of Houston.

Ms. Zapletal reported that Academy Development and W.Y. Atlantis have not provided an update on their development plans.

5. **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 "C." Mr. Leared reported that the Harris County Appraisal District provided \$256,361.97 in adjustments. He reported that 93% of the District's 2008 taxes have been collected as of February 28, 2009.

Mr. Leared reported that Mr. Feliciano has requested a six month payment plan for his 2008 taxes. He reported that the resident has never been delinquent on tax payments before and is having employment issues. Mr. Leared reported that the resident has already made one payment.

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, to authorize the expenditures listed therein, and to approve the payment plan for Mr. Feliciano.

6. **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 reported that Mr. Manon has requested to pay cash for his share of the facility engineering invoices in lieu of drawing against the letter of credit with Amegy Bank to void the \$125 processing fee for each payment request. Ms. Ellison stated that Mr. Manon could either put up the remaining balance of the Letter of Credit to the District or pay his share of the facility engineering invoices as they come due. Ms. Zapletal stated that she would offer the same payment option to Mr. Quentel as well and coordinate payment between Mr. Manon, Mr. Quentel and Municipal Accounts & Consulting.

Ms. Zapletal reported that Westlake Medical is still not approved to receive water

or wastewater service. She stated that Westlake Medical has failed to provide the civil plans signed by Harris County. Ms. Zapletal reported that BGE has informed Westlake Medical to allow Southwest Water to inspect the pipes where paving will occur.

Ms. Zapletal reported that the surplus funds application for the generators at the Olympic Village lift station and Champions Village lift station will be submitted to the Texas Commission on Environmental Quality for \$198,074.

Director Soliz and Mr. Thomas joined the meeting.

Ms. Zapletal reported on the Olympic Village Drainage Improvements. She reported that Harris County requested the installation of a filter fabric fence to minimize erosion into the boat canal due to a resident complaint. She stated that no citation was issued as the construction does not disturb more than one acre. Ms. Zapletal reported that BGE has requested that the contractor install a filter fabric fence. Ms. Zapletal reported that the contractor noted that the inlet top is unsecure and will be modified. She reported that Paskey, Inc. will provide a price for the additional work.

Ms. Zapletal reported that the Governor's Division of Emergency Management has provided notification that the FEMA Hazard Mitigation Grant will not be available for wastewater facilities. She stated that BGE will not pursue the grant any further as the District applied for the lift station generators.

Ms. Zapletal reported on the Olympic Village Lift Station Generator installation bids. She reported that five bids were solicited and four bids received. She reported that Neil Technical Services was the lowest bidder in the amount of \$30,797.00 and recommended award to Neil Technical Services to install the purchased materials for the Olympic Village Lift Station Generator.

Ms. Zapletal presented to and reviewed with the Board the Professional Service Industries, Inc. ("PSI") proposal for construction material testing for the Olympic Village Lift Station Generator in the amount of \$2,651. She requested Board authorization of the PSI proposal.

Ms. Zapletal reported on the Champions Village Lift Station Generator installation bids. She reported that five bids were solicited and four bids received. She reported that Gemini Contracting Services was the lowest bidder in the amount of \$24,620.00 and recommended award to Gemini Contracting Services to install the purchased materials for the Champions Village Lift Station Generator.

Ms. Zapletal presented to and reviewed with the Board the Professional Service Industries, Inc. ("PSI") proposal for construction material testing for the Champions Village Lift Station Generator in the amount of \$2,651. She requested Board authorization of the PSI proposal.

Ms. Zapletal reported on the offsite water and sewer facilities to serve the proposed annexation tracts. Ms. Zapletal reported that BGE has addressed the comments from the City of Houston and Harris County on the offsite water and sewer facilities plans to serve the

proposed annexation tracts. Mr. Thomas reported that in the reply letter to Ms. Spurlock's letter regarding the District's request for an easement, it is stated that the District will provide indemnification for any property damage. He stated that the risk will be passed to the contracting company, but that that it will be included as a condition to the easement.

Ms. Zapletal reported that an additional one year warranty has been granted for the new bar screen at the lift station.

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 Engineer's Report, to authorize Mr. Manon and Mr. Quentel to either put up the remaining balance of the Letter of Credit to the District or pay their shares of the facility engineering invoices as they come due; to award to Neil Technical Services the installation of the purchased materials for the Olympic Village Lift Station Generator in the amount of \$30,797.00; to accept the PSI proposal for construction material testing for the Olympic Village Lift Station Generator in the amount of \$2,651; to award to Gemini Contracting Services the installation of the purchased materials for the Champions Village Lift Station Generator in the amount of \$24,620.00 and to accept the PSI proposal for construction material testing for the Champions Village Lift Station Generator in the amount of \$2,651.

**7. Update on construction of Water Plant No. 2 or Expansion of Water Plant No. 1, 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.** No action was taken on this item.

**8. Atascocita Joint Operations Board ("AJOB") Report.** Director Clarey reported that the Texas Commission on Environmental Quality ("TCEQ") has issued its reprimand for the excess chlorine incident. Mr. Zabaneh reported that the TCEQ requested provisions to prevent future occurrence. He stated that the controls are being reprogrammed to prevent the possibility of it occurring in the future.

Director Clarey reported that there will be a referendum election for a \$0.03 tax increase to help fund the Atascocita Volunteer Fire Department. He asked that notification of the election be placed on the water bill. Mr. Marriott reported that he will have the message added to the water bill.

**9. Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "E." Mr. Burton reported that Southwest Water provides the connection count each month to Republic Waste Services for the calculation of the monthly trash charge. He reported that he obtained the correct connection count from Southwest Water and has resolved the connection count with Republic Waste Services.

Mr. Burton reported that check #3171 to AJOB is for December and March. He reported that check #3175 payable to Direct Energy is for the last invoice. Director Clarey stated that the Direct Energy bill appeared to be very high for winter. Mr. Burton stated that he would

review the Direct Energy invoice. Ms. Zapletal reported that Reliant Energy is behind on meter reading due to Hurricane Ike and perhaps the invoice is for an actual meter reading versus an estimate.

Mr. Burton reported that the Capital Projects Fund Certificates of Deposit were accidentally omitted from the Fund Balance page.

Mr. Burton noted that the March 1, 2009 bond debt payment was paid.

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.

**10. Adopt Budget for Fiscal Year Ending March 31, 2010.** Mr. Burton presented to and reviewed with the Board the proposed budget for fiscal year ending March 31, 2010, a copy of which is attached hereto as Exhibit "F." 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 adopt the proposed budget for fiscal year ending March 31, 2010.

**11. Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Marriott, who presented to and reviewed with the Board the Operations Report and Constable's Report, a copy of which is attached hereto as Exhibit "G." Upon review of the Delinquent List, Mr. Marriott reported that Shooter & Lindsey has a \$1,000 deposit on file, contrary to the \$0 on the report.

Mr. Marriott reported that Southwest Water installed an eye wash station at the water well and performed electrical repairs at Lift Station #2. He stated that the annual flushing will be performed next week.

Mr. Marriott reported on a customer with a water meter issue. He stated that the customer had a high meter read, the meter was repaired and water bill adjusted. Mr. Marriott reported that the water meter subsequently showed a 35,000 gallon usage for one person in the home. Mr. Marriott recommended replacement of the water meter.

Mr. Marriott and Mr. Hastings reviewed the transition procedures to occur on April 1, 2009 and the numerous notifications to be provided to the District customers of the new operator.

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 Operator's Report, to terminate service to the delinquent accounts listed therein and to approve replacement of the customer's water meter.

**12. Discuss Emergency Preparedness.** No action was taken on this item.

**13. Discuss and Authorize Preparation of Identity Theft Prevention Program.** The President recognized Mr. Thomas, who reported that the District is required to have an Identity Theft Program in place by May 1, 2009. He stated that any business that collects

payments in arrears needs such program in place to identify identity theft. Mr. Thomas recommended that the District adopt Municipal Operations & Consulting's Identity Theft Program.

Director Lavey asked whether the tax assessor-collector needs an identity theft program as well. Mr. Leared stated that there are mixed opinions on that. Mr. Thomas stated that he does not believe that the tax assessor-collector would need to have such program.

14. **Approve Professional Services Agreement with Municipal Operations & Consulting, Inc.** Mr. Thomas reported that he has reviewed the provided Professional Services Agreement with Municipal Operations & Consulting, Inc., a copy of which is attached hereto as Exhibit "H." He reported that he only revised the Professional Services Agreement so that the District may purchase major equipment directly to omit the markup fee. Director Lavey requested that it be added to Section 3.04 F, that the subcontractor markup of 10% be excluded for items covered by insurance.

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 the Professional Services Agreement with Municipal Operations & Consulting, Inc. as revised above in Section 3.04 F.

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

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

17. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on April 15, 2009 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 April 15, 2009.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

