

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
July 23, 2009

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 special session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Thursday, July 23, 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, except Directors Clarey and DeYoung. Also attending all or portions of the meeting were Mr. Lonnie Wright and Mr. Gary Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operators 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. Eric Comeau of Bob Leared Interests, tax assessor-collector for the District; Mr. Michael McCall of McCall, Gibson, Swedlund Barfoot P.L.L.C., auditor for the District; and Mr. Neil Thomas 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 June 17, 2009.** Minutes of the meeting of June 17, 2009, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Approve audit for fiscal year ended March 31, 2009.** The President recognized Mr. McCall, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2009, a copy of which is attached hereto as Exhibit "B."

Mr. McCall presented to and reviewed with the Board the management letter noting material weaknesses in the District's internal controls over financial reporting, a copy of which is attached hereto as Exhibit "C." He noted that the management letter includes a draft response by the Board which is substantially the same as the previous year.

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 draft of the audit for the District for fiscal year ending March 31, 2009 and to approve the Board's response in the management letter.

4. **Resolution Approving Continuing Disclosure Materials and authorize filing.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Resolution Approving Continuing Disclosure Materials ("Resolution"), a copy of which is attached hereto as Exhibit "D." Mr. Thomas reported that the Continuing Disclosure submission is an annual requirement which updates bondholders on the status of the District. He reported that the District auditor has inserted the required supplemental information into the audit so that the filing of the audit will meet continuing disclosure requirements. Mr. Thomas reported that the Resolution authorizes F&J and the District's financial advisor to submit continuing disclosure and material event filings on the behalf of the District. 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 Resolution and to authorize submission of the Continuing Disclosure.

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

6. **Discuss recycling survey and any necessary action.** The Board discussed options to survey the residents on the addition of recycling service. Ms. Deitrick reported that the District web site company would manage an e-blast list for the District for \$35.00 per month to be billed annually. Mr. Hastings reported that a flyer with the water bill will cost \$1.00 per household and that a separate mailing would cost \$1.50 per household. Director Lavey reported that there is a company that provides a mass notification system at reasonable costs. Mr. Comeau reported that the company, IRIS, charges approximately \$0.29 per connection. Director Soliz asked if the administrative fee of \$1.50 would be charged for each residence in addition to the recycling rate of \$3.09 proposed by Republic Services, a copy of which is attached hereto as Exhibit "E." Ms. Deitrick stated that she would confirm the proposed recycling rate. Mr. Wright reported that as of August 1, 2009, the District customers will be able to view their bill online at the MOC web site. He stated that MOC may request email addresses to manage e-blasts for the District. The Board favored MOC compiling an email list for the District customers for future notification needs. Mr. Wright stated that he would arrange the compilation of the email list for the District.

Director Soliz reviewed the email from Republic Services, Inc. stating that Republic Service would deliver the polycarts to the District residents beginning the last week of July. The Board discussed that the polycarts should not be delivered before the District residents had received the letter informing the residents of the switch to the automatic side-load system. Ms. Deitrick suggested that a paragraph could be added to the Republic Services letter asking for resident opinions on recycling service. It was the consensus of the Board to have Ms. Deitrick

contact Republic Services to stop the polycart delivery until the letter could be sent and to arrange for the addition of a recycling survey paragraph in the letter.

7. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Mr. Comeau, who presented to and reviewed with the Board the Tax Assessor-Collector's Report for June, a copy of which is attached hereto as Exhibit "F." Mr. Comeau reported that 97% of the District's 2008 taxes have been collected as of June 30, 2009.

Mr. Comeau provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached hereto as Exhibit "G."

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

8. **Engineer's Report, including review of Engineer's projects and capital repairs.** The President recognized Mr. Zabaneh, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." Mr. Zabaneh reported that BGE examined the Olympic Village drainage to determine possible drainage enhancements. He stated that BGE searched for moderate enhancements that would reduce the sheet flow without tearing up the streets. Mr. Zabaneh reported that the proposed enhancements include replacement of twelve inlets and the addition of ten inlets and some manholes for an estimated cost of \$147,000. The Board discussed the potential drainage improvement which could be achieved from the suggested enhancements. Mr. McCall confirmed that because the facility has been previously approved by the Texas Commission on Environmental Quality ("TCEQ"), the District may use surplus funds in the Capital Projects Fund for this project pursuant to Chapter 293.83 of the Texas Administrative Code without approval from the TCEQ. Mr. Zabaneh stated that the next steps would be for BGE to prepare the plans for the proposed drainage enhancements and to advertise the project. 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 BGE to prepare the plans and advertise the Olympic Village Drainage Improvements.

Ms. Zapletal reported that the bids for the Water Plant No. 1 Hydropneumatic Tank will be opened on August 5, 2009.

Ms. Zapletal reported on the Olympic Village Lift Station. Ms. Zapletal reported that the check to C.F. McDonald has been released for Pay Estimate No. 1. She reported that BGE's structural engineer stated that the structural integrity of the concrete slab is adequate because the bearing pressure is not exceeded. Ms. Zapletal reported that the structural engineer also noted that the slab may breakdown due to wear and tear. She reported that Neil Technical Services has provided an extended warranty of an additional five years. Ms. Zapletal reported that the warranty provides for Neil Technical Services to remove and replace the generator and slab at no cost to the District in the event of a slab failure. It was the Board consensus to accept the Neil Technical Services additional five-year warranty.

Ms. Zapletal reported on the Waterhaven storm water quality feature. She reported that Storm Water Solutions has submitted the permit renewal paperwork to the City of Houston. Ms. Zapletal reported that Storm Water Solutions will bill the District for the permit fees.

Ms. Zapletal reported that AJOB is waiting for the TCEQ's instructions on payment of the \$10,000 for the Supplemental Environmental Project to the Gulf Coast Waste Disposal Authority.

Ms. Zapletal reported that Perkins Engineering Consultants, Inc. presented preliminary information to AJOB regarding an odor abatement evaluation.

Director Soliz reported that he learned about cameras and remote control systems to control facilities and prevent vandalism at the recent Association of Water Board Directors Conference. He asked if such systems were cost effective. Mr. Wright reported that such systems are required when a utility district converts to surface water and connects to a regional water authority as the utility district is required to have the ability to remotely close the connection. Mr. Wright stated that the systems are not inexpensive. He stated that a utility district could add contacts to the doorways which could be connected to the autodialer to notify the operator of someone entering the facilities.

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 Engineer's Report.

9. **Award Water Plant No. 1 Hydropneumatic Tank Project.** This item was deferred.

10. **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.

11. **Atascocita Joint Operations Board ("AJOB") Report.** This item was covered under the Engineer's Report.

12. **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 "I." Mr. Burton reported on check #3348 to Harris County Municipal Utility District No. 152 ("MUD 152"). He stated that MUD 152 serves the school and that the District reimburses MUD 152 for the service to the school.

Mr. Burton reported that 4 Certificates of Deposit ("CD") were purchased in the Operating Fund at Enterprise Bank, Bank of Houston and 2 CDs at Texas Community Bank. He reported that a CD will mature in two days in the Capital Projects Fund and asked the Board how to reinvest the proceeds. It was the Board consensus to purchase a \$150,000 CD for a one-year term and to deposit the remaining proceeds into TexPool.

Director Soliz requested authorization to attend the TCEQ Public Drinking Water Conference in Austin on August 11 and 12, 2009.

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 Bookkeeper's Report, to authorize payment of the checks listed therein, to authorize the bookkeeper to purchase a CD for a one-year term in the amount of \$150,000 in the Capital Projects Fund and to authorize Director Soliz to attend the TCEQ Public Drinking Water Conference.

13. **Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operations Report and Constable's Report, a copy of which is attached hereto as Exhibit "J." Mr. Hastings reviewed the customer letter, included in the Operations Report, requesting a water bill adjustment due to a leak. Mr. Hastings stated that the District is required to charge for water that passes through the meter. Director Lavey suggested a twelve-month installment plan to pay for the water charges.

Mr. Hastings reported that Bill System, Inc. was erroneously charged for a sewer fee for its sprinkler system. He reported that MOC has already credited the amount charged by MOC. Mr. Hastings reported that Bill System, Inc. is now requesting a credit for the amount erroneously charged by the District's previous operator in the amount of \$233.

Mr. Hastings reported that the District is at stage 2 of the Drought Contingency Plan. He reported that the homeowners association was using approximately 400,000 gallons of water per day for irrigation. Mr. Hastings reported that the homeowners association is now sprinkling at night, which is better for water plant operation. He reported that the water usage has decreased but recommends that the water restriction not be rescinded until water usage is evaluated next week.

Mr. Hastings reported that the Decathlon lift station overflowed when Neil Technical Services failed to reactivate the controls upon completion of work at the lift station. He reported that approximately 500 gallons of sewage was released and that the TCEQ was notified immediately. Mr. Hastings reported that Neil Technical Services has agreed to pay for the clean-up costs of approximately \$2,000.

Mr. Hastings reported that the residents have been calling MOC regarding the Groundwater Reduction Plan fees which are charged by the City of Houston. He stated that the District previously only charged residents that used greater than 10,000 gallons per month. Director Lavey recalled that when the Groundwater Reduction Plan fee was instituted, the Board initially subsidized it for the residents that were paying the minimum water fee. Director Lavey noted that all utility districts have to participate in a groundwater reduction plan, either with the North Harris County Regional Water Authority, West Harris County Regional Water Authority or the City of Houston. He stated that the other regional water authorities are more expensive than the City of Houston.

Upon motion by Director Soliz, 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 the delinquent accounts in accordance with the District's rate order, to approve the installment payment plan for the resident with the water leak and to approve the sewer credit of \$233 for Bill System, Inc.

14. **Consider matters relating to lift station overflow.** This item was covered under the Operator's Report.

15. **Review of Drought Contingency Plan and any necessary action.** This item was covered under the Operator's Report.

16. **Approve Interlocal Agreement with Harris-Galveston Subsidence District for Water Wise Program.** Mr. Thomas presented to and reviewed with the Board an Interlocal Agreement with the Harris-Galveston Subsidence District, a copy of which is attached hereto as Exhibit "K." Mr. Thomas explained that under the Interlocal Agreement, the District commits to buy WaterWise kits for the Maplebrook Elementary school children in the District to teach them water conservation.

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 Interlocal Agreement.

17. **Review Consultant Contracts.** Mr. Thomas reported that the consultant contracts are reviewed annually to provide the Board an opportunity to assess the service provided by the consultants and costs. The Board noted that it was satisfied with its consultants. No action was taken on this item.

18. **Attorney's Report.** Mr. Thomas reported that F&J distributed the Legislative Review and to contact him with any questions.

19. **Association of Water Board Directors Conference.** Director Lavey stated that the seminars were not as interesting as prior conferences. Director Soliz stated that he learned a lot from the vendors.

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

21. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on August 19, 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 August 19, 2009.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

