

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
February 17, 2010

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, February 17, 2010, 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 DeYoung. Also attending all or portions of the meeting were Mr. Gary Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Sam Zabaneh of Brown & Gay Engineers, Inc. ("BGE"), engineer 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. Chris Swedlund of McCall Gibson Swedlund Barfoot, P.L.L.C. ("McCall"), auditor for the District; Ms. Jennie Trapolino and Mr. Louis Trapolino of Merrylands Interests, developers of land proposed to be annexed to the District; Mr. Greg Voinis of Sam Yager, Inc., developer of Harris County Municipal Utility District No. 494 ("MUD 494"); 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 January 20, 2010.** Minutes of the meeting of January 20, 2010, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.

3. **Developer's Report.** The President recognized Mr. Voinis, who reported that Sam Yager, Inc. has assumed management of the land development of MUD 494. Mr. Voinis reported that Sam Yager, Inc. intends to proceed with the MUD 494 development; however, they are currently in transition and will need a period of time to gather all relevant data. Mr. Zabaneh stated that BGE will not proceed with advertisement for the Lift Station No. 4, Offsite Water and Sewer Mains, and Improvements to Shared HC MUD 152/153 Lift Station until all parties are ready to pay for the project.

Ms. Trapolino reported that BGE requested a letter of credit for the construction costs of the Lift Station No. 4, Offsite Water and Sewer Mains, and Improvements to Shared HC MUD 152/153 Lift Station. She reported that the Board previously agreed to Merrylands Interests paying construction costs as incurred because of the financial strength of Merrylands Interests. Mr. Thomas stated that F&J will confirm that was agreed upon by the Board. Ms. Trapolino reported that the title on the eight lots still needs to be cleared and stated that if the land is condemned for detention by the District, then the land can be replatted as detention. She stated that the District needs to be begin working on that issue.

4. **Engage auditor for fiscal year ending March 31, 2010.** The President recognized Mr. Swedlund, who presented to and reviewed with the Board an engagement letter for fiscal year ending March 31, 2010, a copy of which is attached hereto as Exhibit "B." Mr. Swedlund presented to the Board a letter and questionnaire regarding the Statement of Auditing Standard No. 99. Mr. Swedlund reported that the directors are part of the process of reporting fraud and requested the directors contact him with any concerns they have. Mr. Swedlund requested that the Board consider engaging the services of McCall to prepare the District's annual audit for fiscal year ending March 31, 2010, at an estimated cost of \$15,000 to \$17,000.

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 to prepare the District's audit for fiscal year ending March 31, 2010, and to authorize the execution of the engagement letter.

5. **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 January, a copy of which is attached hereto as Exhibit "C." Mr. Comeau reported that 92% of the District's 2009 taxes have been collected as of January 31, 2010.

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

6. **Approve Collateral Assignment of Amended and Restated Water Supply Agreement with WYA The Bridges at Lake Houston, Ltd.** This item was deferred.

7. **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 "D." Mr. Zabaneh reported

that BGE issued the Notice to Proceed for the Olympic Village Storm Sewer Rehabilitation, Phase II on January 27, 2010. Mr. Zabaneh recommended Board approval of the Professional Service Industries, Inc. ("PSI") proposal for construction material testing for the project in the estimated amount of \$7,979.00.

Mr. Zabaneh reported on the Hydropneumatic Tank Addition at Water Plant No. 1. He recommended Board approval of Change Order #1 in the amount of \$1,700 to install an eight by twelve inch tapping sleeve and valve on the existing twelve inch water line.

Mr. Zabaneh reported on Harris County acceptance of the Pine of Atascocita, Section Four, streets and storm sewers. He reported that Harris County has asked the bonding company to perform the punch list items. Mr. Zabaneh reported that there is substantial work to be performed before Harris County will accept the streets and storm sewers.

Mr. Zabaneh reported that the District's Emergency Preparedness Plan is ready for submittal to the Texas Commission on Environmental Quality.

Mr. Zabaneh requested Board approval of the Order Authorizing Application for Use of Surplus Funds for the District's share of the Offsite Water Distribution System and Sanitary Sewer Trunk Utilities, Water Plant No. 2 – Phase I Engineering Fees, Proposed Lift Station No. 2 and Improvements to Existing Shared HC MUD 152/153 Lift Station in the amount of \$584,416.73, a copy of which is attached hereto as Exhibit "E."

Mr. Zabaneh reported that Sam Yager, Inc. is determining whether the current connection request for MUD 494 is appropriate.

Mr. Zabaneh reported that Merrylands Interests has not provided a description of the area to be removed from the annexation that is to be swapped with MUD 494. He stated that once the description is provided, the proper maps and metes and bounds descriptions can be prepared for the Merrylands Interests annexation.

Mr. Zabaneh reported on the request for service for Condo Lakes Townhomes at Nehoc Lane and Camp Lillie Road by Jack Rimes & Associates, Inc. He reported that BGE provided a letter to Jack Rimes & Associates, Inc. detailing the conditions for service to the five townhomes on the out-of District site pursuant to the January Board meeting discussion. He reported that there has been no response to the letter.

Mr. Zabaneh reviewed the Water Plant No. 2 generator cost estimates. The Board favored the diesel generator option. He reported that BGE will proceed with plat recordation for Lift Station No. 4.

Mr. Zabaneh reported on Atascocita Joint Operations Board. He reported that the odor reduction equipment installation will cost approximately \$150,000, which will be prorated among the participating districts.

Mr. Zabaneh reported that a District resident requested that the facilities for the Olympic Village Storm Sewer Rehabilitation, Phase II, be relocated because of curb appeal. He reported that BGE informed the resident that the storm sewer improvements are to be installed in

the public right-of-way and that Harris County has approved the plans. Mr. Zabaneh reported that BGE informed the resident that the plans cannot be changed without obtaining Harris County approval of the revisions. The Board asked Mr. Zabaneh to direct the contractor to minimize injury to the resident's tree and to inform the resident.

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 the Professional Service Industries, Inc. proposal for construction material testing for the Olympic Village Storm Sewer Rehabilitation, Phase II in the estimated amount of \$7,979.00; to approve Change Order #1 for the Hydropneumatic Tank Addition at Water Plant No. 1 in the amount of \$1,700 to install a eight by twelve inch tapping sleeve and valve on the existing twelve inch water line; to authorize BGE to submit the District's Emergency Preparedness Plan to the Texas Commission on Environmental Quality; and to approve the Order Authorizing Application for Use of Surplus Funds for the District's share of the Offsite Water Distribution System and Sanitary Sewer Trunk Utilities, Water Plant No. 2 – Phase I Engineering Fees, Proposed Lift Station No. 2 and Improvements to Existing Shared HC MUD 152/153 Lift Station in the amount of \$584,416.73.

8. **Resolution Authorizing Application for Use of Surplus Funds for HC MUD 153's share of water and sewer facilities.** This item was covered under the Engineer's Report.

9. **Discuss and take any action related to guaranties from participants in facilities to serve annexation tracts and HC MUD 494.** This item was covered under the Engineer's Report.

10. **Authorize advertisements for bids for Lift Station No. 4, Offsite Water and Sewer Mains, and Improvements to Shared HC MUD 152/153 Lift Station to serve annexation tracts and HC MUD 494.** This item was deferred.

11. **Merrylands Interests Annexation – receive petition for annexation.** This item was deferred.

12. **Request for service for Nehoc Road and Camp Lillie Road tract.** No action was taken on this item.

13. **Approve Trunkline Maintenance Agreement.** This item was deferred.

14. **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.** This item was covered under the Engineer's Report.

15. **Atascocita Joint Operations Board report.** Director Clarey reported that the odor reduction equipment installation will cost approximately \$150,000. He reported that Severn Trent Services has requested a fee increase but not a base contract increase.

16. **Bookkeeper's Report, Investment Report, a payment of bills and take any necessary action.** 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 "F." Mr. Burton reported that check #3613 to Allied Waste is unusually large because of an incorrect connection count. Mr. Hastings stated that MOC may have provided an incorrect connection count to Allied Waste. Mr. Burton stated that he will coordinate correction of the invoice with Allied Waste. Director Soliz noted that it is difficult to open the lids on the recycling bins.

Upon review of the Fund Balance Report, Mr. Burton reported that Certificates of Deposit ("CD") were purchased in the Operating Fund at Central Bank and in the Debt Fund at IBC Bank, Ironstone Bank and Memorial City Bank.

Mr. Burton reported that the draft budget for fiscal year ending March 31, 2011 was included in the Bookkeeper's Report. He requested consultant input on the proposed budget.

Mr. Burton presented to and reviewed with the Board the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "G."

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 Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve the Quarterly Investment Report.

17. **Adopt budget for fiscal year ending March 31, 2011.** This item was deferred.

18. **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 water termination list, a copy of which is attached hereto as Exhibit "H." He reported there were no calls regarding the fire hydrant vandalism.

Mr. Hastings reviewed the Write-Offs List, included in the Operations Report. He reported that accounts are only considered for the Write-Off List after the resident has moved out of the District.

Mr. Hastings reported that Mr. Steve Abernathy called MOC and stated that he will not pay the GRP fee. The Board asked how MOC will manage partial payment. Mr. Hastings stated that his account will become delinquent and water service will be terminated for non-payment in accordance with the District's Rate Order.

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 Operator's Report, to terminate the delinquent accounts in accordance with the District's rate order, and to write-off the accounts on the Write-Off List as uncollectible.

19. **Adopt Order Calling Directors Election. Adopt Order Calling Directors Election.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "I." He reported that the directors' election is scheduled for May 8, 2010. The President reported that Mr. O'Brien has offered his home for the early voting polling place.

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 Order Calling Directors Election and to approve payment of \$150 to Mr. O'Brien for providing the District with an early voting polling place.

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

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

22. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on March 31, 2010 at 11:30 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010.


23. **Discuss and take action regarding sanitary sewer easements for Offsite Water and Sewer Mains project, including discussion of offer regarding Spurlock tract.** At 1:06 p.m., the Board convened in executive session pursuant to Section 551.072, Texas Government Code, as amended, to discuss the value of real property. The Board reconvened in open session at 1:19 p.m.

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 Mr. Thomas to make the discussed offer to Ms. Spurlock for the sanitary sewer easement.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

* * *

The foregoing minutes were passed and approved by the Board of Directors on March 31, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

