

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
January 20, 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, January 20, 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. 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 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; 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 December 16, 2009.** Minutes of the meeting of December 16, 2009, 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 Ms. Zapletal, who reported that ten additional homes have sold in Waterhaven since October.
4. **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 December, a copy of which is attached hereto as Exhibit "B." Mr. Comeau reported that 63% of the District's 2009 taxes have been collected as of December 31, 2009.

Mr. Comeau provided the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "C." Mr. Comeau noted that there were no action items on the Delinquent Tax Report. Director Soliz noted that the Delinquent Tax Report states that the Constable could not find assets to seize. Director Soliz stated that it is not the Constable's duty to locate assets to seize and that it is Perdue's responsibility to go to the property and seize assets. Mr. Comeau stated that he will check with Perdue regarding the seizing of assets.

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, to authorize the expenditures listed therein and to approve the Delinquent Tax Report.

5. Authorization of additional penalty on taxes, penalty and interest remaining delinquent. The President recognized Mr. Thomas, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "D." Mr. Thomas reported that collection of delinquent personal property taxes may begin on April 1. The Board discussed the early collection of personal property.

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 with the collection of delinquent personal property taxes to begin on July 1.

6. Consider property tax exemptions. The President recognized Mr. Thomas, who reported that last year the Board granted \$5,000 homestead property tax exemptions for owners who are 65 years of age or older or who are disabled. Mr. Thomas presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who Are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "E." 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 grant \$5,000 homestead property tax exemptions for those who are 65 years of age or older or who are disabled.

7. 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 "F." Ms. Zapletal reported that BGE issued the Notice of Award of the Olympic Village Storm Sewer Rehabilitation, Phase II to C.E. Barker, Ltd. She stated that the project is expected to take 60 days and that the contracts are ready for Board signature.

Ms. Zapletal reported on the Hydropneumatic Tank Addition at Water Plant No. 1. She reported that the contractor has been delayed due to the rain and is expected to begin in February.

Ms. Zapletal reported that the Harris County Constable stated that the paving and utilities in Pines of Atascocita, Section Four are private and that the Constable cannot issue citations in private subdivisions. Ms. Zapletal reported that BGE has researched the Harris County acceptance of this subdivision which occurred during the transition of District engineers. She reported that an inspection will be necessary to determine the necessary repairs and costs to gain Harris County acceptance of the paving and storm sewer. Mr. Thomas reported that the District does not own the streets, paving or curbs and has no responsibilities to them. The Board discussed the surety bonds for the construction. Director Lavey reported that surety bonds do not last forever. Director Clarey stated that Brad Dill was managing the development after the Tresor Group. Ms. Zapletal stated that she would contact Mr. Dill and proceed with the Harris County inspection. Mr. Thomas noted that the Constable should be informed that it is a public right-of-way. It was Board consensus to request the Harris County inspection and prepare a cost estimate for the Board's consideration.

Ms. Zapletal reported that BGE and MOC have received a request for service for the lot located at Nehoc Lane and Camp Lillie Road. She reported that the tract is not located within the District but is within the City of Houston. Ms. Zapletal reported that the tract is not included in the current utility service agreement with the City of Houston. Mr. Thomas reported that the District is not required to provide service to the tract and cannot provide service to the tract without City of Houston authorization. Ms. Zapletal reported that the District's waterline does not extend to Camp Lillie Road; however, the sanitary sewer trunk line does extend to Camp Lillie Road. Mr. Thomas stated that the AJOB contract may state that the District cannot provide sanitary sewer service to tracts outside of the District. Mr. Zabaneh asked for Board approval if the tract owner was willing to pay for the related costs of serving the tract, including engineering, construction and legal as well as dedicate any necessary easements. It was the consensus of the Board to invite the tract owner to the next Board meeting to discuss further.

Ms. Zapletal reviewed with the Board the updated summary of costs and breakdowns for participant guaranty requests for construction of the Phase One Projects, to include the offsite water and sanitary sewer lines, 20,000 gallon hydropneumatic tank, lift station #4 and improvements to shared lift station with Harris County Municipal Utility District No. 152 ("MUD 152") and design portion of engineering fees for Water Plant No. 2, Phase One. She reported that the Phase One project will be bid in March. Ms. Zapletal requested Board authorization to request the funds from the tract owners for their share of Phase One projects. She reported that Academy Development confirmed the 410 equivalent single family connections for Merrylands. Ms. Zapletal reported that BGE will not advertise Phase One until the funds have been deposited.

Ms. Zapletal reported on Water Plant No. 2. She reported that the sanitary sewer control easements have been recorded. She reported that BGE is obtaining natural gas costs from CenterPoint Energy to provide a cost comparison to a diesel generator for the Board's consideration.

Ms. Zapletal reported that BGE will proceed with the Lift Station #4 plat recordation.

Ms. Zapletal reported that the MUD 152 attorney is preparing the amendment to

the agreement for the shared lift station.

Ms. Zapletal reported that Mr. Wheless is coordinating signature of the sanitary sewer easement for his tract. Ms. Zapletal reported that F&J has not received a response from Ms. Spurlock on the easement request. Mr. Thomas stated that Ms. Spurlock continues to request payment for the easement. He stated that an appraisal of the easement may be obtained and offered to Ms. Spurlock. It was the consensus of the Board to determine the cost to construct around Ms. Spurlock's tract. Mr. Zabaneh requested Board authorization to inform Ms. Spurlock that if she is not willing to provide the easement in exchange for service that the Board is considering constructing around her tract.

Ms. Zapletal reported that Dr. Manon has provided payment for his share of the annexation and facility construction costs. She reported that BGE has requested Dr. Quentel's payment for his share of the annexation and facility construction costs.

Ms. Zapletal reviewed with the Board the Emergency Preparedness Plan. She reported that Mr. Hastings and Mr. Thomas have reviewed the Emergency Preparedness Plan.

Ms. Zapletal reviewed the Atascocita Joint Operations Board wastewater treatment capacity sale amount allocations to Harris County Municipal Utility District No. 494.

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 Engineer's Report, to authorize BGE to invite the Camp Lille Road lot owner to the next Board meeting to discuss service to the tract, to authorize BGE to request the funds from the tract owners for their share of Phase One projects, to approve BGE to discuss service in exchange for the easement with Ms. Spurlock and to approve the Emergency Preparedness Plan.

8. **Request for service for Nehoc Road and Camp Lillie Road tract.** This item was covered under the Engineer's Report.

9. **Approve Amended Water Supply Contract, Amended Waste Disposal Contract and Agreement for Construction and Maintenance of Wastewater Pump Station, Force Main and Site.** No action was taken on this item.

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

11. **Fourth Amended and Restated Waste Disposal Contract, Assignment of Trunkline Capacity and Letter Agreement for Purchase of Wastewater Treatment Capacity.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Fourth Amended and Restated Waste Disposal Contract, the Letter Agreement with WYA The Bridges of Lake Houston, Ltd. ("WYA") and the Assignment of Trunkline Capacity, copies of which are attached hereto as Exhibits "G," "H," and "I," respectively. Mr. Thomas stated that the District will need to enter into an agreement with WYA for sharing of maintenance costs of the trunkline.

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 and authorize execution of the Fourth Amended and Restated Waste Disposal Contract, the Letter Agreement with WYA and the Assignment of Trunkline Capacity.

12. **Update on Dr. Manon and Dr. Quentel letter of credit renewal.** This item was covered under the Engineer's Report.

13. **Approve Emergency Preparedness Plan.** This item was covered under the Engineer's Report.

14. **Atascocita Joint Operations Board ("AJOB") Report.** Director Clarey reported that the odor reduction equipment will be bid. He reported that agreements with WYA were discussed.

15. **Bookkeeper's Report, Investment Report, a payment of bills and take any necessary action.** The President recognized Mr. Cory Burton, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "J."

Upon review of the Fund Balance Report, Mr. Burton reported that a Certificate of Deposit ("CD") was purchased in the Operating Fund at Central Bank.

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 and to authorize payment of the checks listed therein.

16. **Update on Southwest Water Company invoice and any necessary action.** The President recognized Mr. Hastings, who reported that he discussed the Southwest Water Company invoice with Mr. Spidle of Southwest Water Company. He reported that the invoice was for services provided in March 2009 and recommended payment of the Southwest Water Company invoice. 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 authorize payment to Southwest Water Company.

17. **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 "K".

Upon review of the Termination List, Mr. Hastings reported that one account has a large balance due to a water leak that resulted in 81,000 gallons of water usage. He reported that the resident was notified of the water leak. Mr. Hastings reported that Account #1-71-00310-00 has entered into a payment agreement.

Mr. Hastings requested authorization to write-off the accounts on the Write-Off List. He reported that the accounts are for customers who have moved out of the District.

Mr. Hastings reported that MOC received over 400 calls on Saturday due to the hard freeze, mostly due to backflow preventers freezing and popping off. He reported that there

were no main line breaks in the District.

Mr. Hastings reported that 21 fire hydrants were opened in the District on December 27, 2009, in the middle of the night. He reported that 12 fire hydrants were opened in early January which resulted in approximately 900,000 gallons lost. Mr. Hastings reported that these two events cost the District approximately \$4,000 in water production costs, services and GRP fees. Mr. Hastings reported that the Constable does not have any leads at this time. He presented to and reviewed with the Board a flyer requesting information on the vandalism, a copy of which is attached hereto as Exhibit "L." He reported that color copies would cost approximately \$1,300 to distribute with the water bill and non-color would cost \$0.25. Director Soliz asked if the autodialer system could be modified so MOC is notified of water loss earlier. Ms. Zapletal stated that she would research such modification.

Mr. Hastings reported that the District has 36 commercial and irrigation meters. He reported that 9 of these meters are registering less than 95% of water usage. Mr. Hastings stated that it would cost \$4,200 to replace the 9 meters and asked for Board authorization to proceed with the meter replacement.

Upon motion by Director Soliz, seconded by Director Clarey, 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 write-off the accounts on the Write-Off List as uncollectible, to authorize MOC to distribute the color flyer regarding the vandalism with the water bill and to authorize MOC to replace the 9 water meters.

18. **Adopt Order Calling Directors Election.** The President recognized Mr. Thomas, who presented to and reviewed with the Board the Order Calling the Directors Election, a copy of which is attached hereto as Exhibit "M."

Director Clarey left the meeting.

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 Order Calling the Directors Election.

Mr. Thomas reported that new legislation requires notification be provided to residents of the deadline to submit applications to be on the ballot for the May 8, 2010 Directors Election. Mr. Thomas presented to and reviewed with the Board the Notice of Deadline to File Applications for Place on the Ballot ("Notice"), a copy of which is attached hereto as Exhibit "N." Mr. Thomas stated that the Notice would be posted at the same location that the agenda is posted in the District and at the F&J office.

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

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 February 17, 2010 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 February 17, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

