

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
May 19, 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, May 19, 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
Alan Waters, Treasurer
David Bloedorn, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Mr. John Montgomery 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; Mr. David Simon, President of Walden Community Services Association; Ms. Teri League of Allied Waste; Ms. Marcia Reineking, Ms. Annette Nevermann and Ms. Jeannie Bub of Maplebrook Elementary; Mr. Jeff Bratton of Miracle Recreation Equipment Company; and Mr. Neil Thomas, Mr. Adrian Patterson 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. **Accept Oaths of Appointed and Elected Directors, ratify appointment of Director Bloedorn.** Directors Soliz, Waters and Bloedorn took the oath of office for their new terms as directors of the District.

2. **Election of Officers.** Upon motion by Director Clarey, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Director Waters as Treasurer and Director Bloedorn as Assistant Secretary.

3. **Discuss request by Walden CSA and CAM to assume Exclusive Residential Refuse Service Contract and any necessary action.** The President recognized Mr. Simon, who stated that the residents are dissatisfied with the solid waste collection service recently. He stated that Walden CSA and CAM are interested in either assuming the solid waste collection contract or assisting the District with management of the solid waste collection service. Mr. Thomas stated that if Walden CSA and CAM assume the contract, the billing would become more complex because currently Allied Waste bills only the District. He stated that there are cost savings with the one bill for all of the residents. Mr. Simon stated that Walden CSA may be willing to assume the billing to maintain the cost savings of not billing residents individually.

Mr. Simon stated that many of the new trash containers appear to be in poor condition and Allied Waste has failed to replace the trash cans. He stated that at least 100 residents favor having their own trash cans instead of the Allied Waste polycarts. Mr. Simon stated that Allied Waste is not picking up bags of yard debris. He stated that Walden CSA may want to explore return to the old solid waste collection system instead of the automated side collection method. Director Soliz noted that Allied Waste cannot address issues if the company is not contacted. Mr. Simon confirmed that he has not contacted Allied Waste. Director Soliz noted that the yard debris is an issue. The President noted that the automated side collection is the method preferred by the solid waste collection companies and that it will be prevalent in the future. Ms. League suggested a green route collection for removal of the yard debris. Mr. Simon stated that the addition of a green collection day would be a good solution for collection of yard debris. Mr. Simon stated that he thought the residents would not mind an extra charge for such service. Ms. League stated that she would arrange for the yard debris collection on Tuesday.

4. **Minutes of the meeting of April 21, 2010.** Minutes of the meeting of April 21, 2010, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Clarey, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to approve such minutes, as presented.

5. **Public Comments.** The President recognized Ms. Reineking, principal of Maplebrook Elementary School. Ms. Reineking thanked the Board for its previous funding for the sidewalk and running/jogging track construction. She reported that a solar-powered koi pond was installed in the back of Maplebrook Elementary School. Ms. Reineking reported that the koi pond is now defunct and that bids have been requested to relocate the koi pond to the front courtyard of the school so it may be enjoyed by the rest of the community. She reported that Century Gardens has quoted a price of \$8,400 to relocate the koi pond into the front of the school, which will include a new liner and fencing around the pond. Ms. Nevermann stated that three bids were obtained for the fencing, which was the most expensive item of the project. Ms. Reineking stated that the goal is to relocate the koi pond and then install playground equipment. She stated that the playground equipment and koi pond would be accessible to the public. Ms. Reineking stated that the old koi pond would be filled in as part of the relocation project. Mr. Bratton presented to and reviewed with the Board the three playground equipment options ranging from \$122,831 to \$24,003, a copy of which is attached hereto as Exhibit "B." He stated that a 100-year structural warranty is provided with the Miracle Playground equipment. Mr. Zabaneh stated that three bids would need to be obtained if greater than \$25,000 and the project

would need to be advertised if the Board funded more than \$50,000. The Board discussed a possible contribution for the projects upon further research. No action was taken by the Board.

6. **Developer's Report.** Ms. Zapletal reported that new floor plans are expected for Waterhaven.

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 April, a copy of which is attached hereto as Exhibit "C." Mr. Comeau reported that 96% of the District's 2009 taxes had been collected as of April 30, 2010.

Upon motion by Director Clarey, 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 and to authorize the expenditures listed therein.

8. **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 "D."

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

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

Upon motion by Director Clarey, seconded by Director Waters, 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.

9. **Approve Municipal Risk Management Group Report.** The President recognized Mr. Burton, who presented to and reviewed with the Board the annual Municipal Risk Management Group Arbitrage Rebate and Yield Restriction Analysis Report, a copy of which is attached hereto as Exhibit "F." Mr. Burton reported that the required arbitrage reports have been coordinated with Arbitrage Compliance Specialists and no further action is required. Upon motion by Director Clarey, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Municipal Risk Management Group Arbitrage Rebate and Yield Restriction Analysis Report.

10. **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 "G." Ms. Zapletal reported that the Olympic Village Storm Sewer Rehabilitation, Phase II, is complete. She reported that the Texas Commission on Environmental Quality ("TCEQ") inspected the project on April 27, 2010, and that no punch list items were noted. Ms. Zapletal recommended Board approval of payment of Pay Estimate No. 3 and Final from C.E. Barker, Ltd. in the amount of \$18,284.82.

Ms. Zapletal reported that the Hydropneumatic Tank Addition at Water Plant No. 1 is complete. She reported that the TCEQ inspected the project on May 4, 2010. Ms. Zapletal reported that the contractor has completed the punch list items. Ms. Zapletal reported that MOC requested an automatic pressure monitoring line from the new Hydropneumatic Tank to connect to the existing monitoring line. She reported that MOC's electricians will complete the installation of the automatic pressure monitoring line.

Ms. Zapletal reported on Harris County acceptance of the Pines of Atascocita, Section Four, streets and storm sewers. She reported that BGE met with the Harris County Public Infrastructure Department. She stated that the Harris County attorney has determined that the expense to pursue the bond originally provided by the developer will exceed the amount of the bond. Ms. Zapletal reported that Harris County will inspect the facilities on May 28, 2010. She requested Board approval to have MOC attend and assist with the inspection procedures, such as opening manholes and fire hydrants. Ms. Zapletal reported that storm sewer repairs may be paid from surplus Capital Project Funds and that paving repairs will be financed by the Operating Fund.

Ms. Zapletal reported that the TCEQ approved the Emergency Preparedness Plan ("EPP"). She reported that BGE is distributing copies of the EPP to the Harris County Judge, Harris County Office of Emergency Management, the Public Utility Commission of Texas and the Texas Division of Emergency Management.

Ms. Zapletal reported that Storm Water Solutions completed the clean out of the Waterhaven StormCeptor.

Ms. Zapletal reported that BGE is preparing the Water Line Audit Map and spreadsheet to document the age, type and length of water lines in the District to determine necessary rehabilitation.

Ms. Zapletal reported on the request for service for Condo Lakes Townhomes at Nehoc Lane and Camp Lillie Road by Jack Rimes & Associates, Inc. She reported that F&J has provided the City of Houston a letter confirming that the District wishes to enter into an agreement with the City of Houston to serve the project.

Ms. Zapletal reported that BGE has prepared a breakdown of the original and proposed costs for the existing lift station shared with Harris County Municipal Utility District No. 152 ("MUD 152"). Ms. Zapletal reported that MUD 152 does not want Harris County Municipal Utility District No. 494 to be allowed to enter into an agreement based solely on the incremental cost of adding a pump to the lift station. She requested Board authorization to provide the cost breakdown to MUD 152.

Ms. Zapletal reported on the Atascocita Joint Operations Board. Ms. Zapletal reported that Severn Trent reported a loose skimmer arm on clarifier #1. She reported that additional fasteners have been ordered for the backing bar of the skimmer arm which have fallen off. She reported that the cover has been installed at the Influent Lift Station. She reported that the lift station compactor installation is expected to be complete by the end of July. Director Clarey reported that the annual audit was approved. He reported that the budget was approved

and that chemical costs have decreased.

Upon motion by Director Clarey, 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, to approve payment of Pay Estimate No. 3 and Final from C.E. Barker, Ltd. in the amount of \$18,284.82 for the Olympic Village Storm Sewer Rehabilitation, Phase II; to authorize MOC to attend and assist with the Harris County inspection procedures in Pines of Atascocita, Section Four; and to authorize BGE to provide the shared lift station cost breakdown to MUD 152.

11. **Matters related to service for Nehoc Road and Camp Lillie Road tract.** No action was taken on this item.

12. **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.

13. **Atascocita Joint Operations Board report.** This item was covered under the Engineer's Report.

14. **Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Montgomery, 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."

Mr. Montgomery reviewed the Termination List, included in the Operations Report.

Mr. Montgomery reviewed the Write-Offs List, included in the Operations Report.

Mr. Montgomery reported that the District received approximately 500,000 gallons of water from MUD 152 in late March because of a main water line break. He asked the Board if it wanted to pay for the water or repay in kind. It was Board consensus to repay in kind to MUD 152.

Mr. Montgomery reported that a District resident emailed MOC requesting waiver of the late fee explaining that the resident had taken a pay cut and was paying as much as possible. Mr. Montgomery stated that water service will not be terminated if the resident makes partial payments. It was Board consensus to deny the request for waiver of the late fee.

Mr. Montgomery presented to and reviewed with the Board the Red Flag Policy Annual Report.

Mr. Montgomery reported that the Federal Emergency Management Agency has requested a Claim Summary Form for the District for Hurricane Ike. He reported that an audit will be performed within sixty days of submittal of the Claim Summary Form. Mr. Montgomery reported that he has the documentation to prepare the Claim Summary Form; however, he does not have the documentation of the labor costs and generator log from Southwest Water

Company, the District operator at the time of Hurricane Ike, to prove a portion of the costs on the Claim Summary Form. Mr. Patterson stated that F&J can send a letter to Southwest Water Company. Mr. Montgomery stated that he would provide F&J the list of documentation needed from Southwest Water Company. Ms. Deitrick and Ms. Zapletal stated that they would contact Southwest Water Company to attempt to obtain the necessary documentation before legal steps were pursued.

Mr. Montgomery presented to and reviewed with the Board the draft 2009 Drinking Water Quality Report, a copy of which is attached hereto as Exhibit "I." Mr. Montgomery reported that the Drinking Water Quality Report will be mailed with the June billing. He stated that the District is required to distribute this report to the customers by July 1.

Upon motion by Director Waters, 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 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 F&J to contact Southwest Water Company to obtain the necessary documentation for the Claim Summary Form and to approve the 2009 Drinking Water Quality Report.

15. **Approve Consumer Confidence Report.** This item was covered under the Operator's Report.

16. **Approve Collateral Security Agreement with Amegy Bank.** This item was deferred.

17. **Consider need for insurance proposals.** Ms. Deitrick reported that the District's insurance expires July 1, 2010 and asked if the Board would like to see proposals from other insurance companies. The Board indicated that it would like to review the HARCO Insurance proposal at the next Board meeting.

18. **Review and authorize execution of letter regarding disclosure of Director Information.** The President recognized Mr. Patterson, who reported that the Board may elect not to release their address, telephone number or social security number to the public by signing a letter to such effect.

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 June 16, 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 June 16, 2010.

Sam B Claff

President, Board of Directors

ATTEST:

William A. Perry

Secretary, Board of Directors

(DISTRICT SEAL)

