

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
May 18, 2011

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 regular session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Wednesday, May 18, 2011, 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, except Director Bloedorn. 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. Mark 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; Ms. Linda Loup of Southwest Securities, financial advisor for the District; and Mr. Michael Swartz 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 April 20, 2011.** Minutes of the meeting of April 20, 2011, previously distributed to the Board, were presented for consideration and approval. Director Clarey stated that the murder mentioned in the minutes occurred in Atascocita, not Walden.

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 revised.

2. **Public Comments.** There were no public comments.

3. **Consider Sixth Addendum to Solid Waste Contract and any necessary action.** The President recognized Mr. Swartz, who presented to and reviewed with the Board the Sixth Addendum to Contract By and Between Republic and the District, a copy of which is attached hereto as Exhibit "B." He noted that the Sixth Addendum changes the recycling containers and second heavy collection day addendums termination date to coincide with the main contract with Republic.

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 Sixth Addendum to Contract By and Between Republic and the District.

4. **Developer's Report.** The President recognized Ms. Zapletal, who reported that Mr. Voinis is working on the agreements between Harris County Municipal Utility District No. 494 ("MUD 494") and the District.

Ms. Zapletal reported that the BGE Water Model Report, included in the Engineer's Report, includes water plant operations recommendations that will be necessary for the interim water supply service to MUD 494. She reported that no water plant modifications will be required besides the modification in operational settings.

5. **Proposed water and sanitary sewer contract between Harris County Municipal Utility District No. 494 and Harris County Municipal Utility District No. 153.** This item was deferred.

6. **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 97% of the District's 2010 taxes had been collected as of April 30, 2011. Mr. Comeau reported that the delinquent statements were sent this week notifying the taxpayers of the additional 20% penalty effective July 1, 2011.

Director Soliz asked who pays for the litigation cost for collection of the delinquent taxes and what criteria is used for deciding on whether to proceed with litigation. Mr. Comeau reported that Perdue, Brandon, Fielder, Collins, & Mott, L.L.P., the delinquent tax attorney for the District, will attend the Board meeting in two months to present the quarterly delinquent tax report and answer Board questions.

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

7. **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 motion by Director Waters, 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.

8. **Approve Municipal Risk Management Group annual arbitrage analysis report.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Municipal Risk Management Group Annual Maintenance for Arbitrage Analysis Report, a copy of which is attached hereto as Exhibit "E." Mr. Burton reported that the District is in compliance with arbitrage regulation.

Mr. Burton presented to and reviewed with the Board the Engagement Letter for the Arbitrage Rebate Report for the District's Series 2004A Bonds with Arbitrage Compliance Specialists ("Engagement Letter"), a copy of which is attached hereto as Exhibit "F."

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 Municipal Risk Management Group Annual Maintenance for Arbitrage Analysis Report and Engagement Letter with Arbitrage Compliance Specialists.

9. **Engagement Letter for Arbitrage Rebate Report for the District's Series 2004A Bonds with Arbitrage Compliance Specialists.** This item was covered under Approve Municipal Risk Management Group annual arbitrage 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 "I."

Ms. Zapletal reported on the Waterline Rehabilitation Phase One. She reported that completion of the field survey is expected to be in mid-June. Ms. Zapletal reported that BGE is preparing the construction plans.

Ms. Zapletal reported on the Bond Application Report. She reported that BGE will submit the bond application to the Texas Commission on Environmental Quality ("TCEQ").

Ms. Zapletal reported that the City of Houston has renewed the Stormwater Quality permit for the Waterhaven Stormceptor.

Ms. Zapletal reported that BGE will send a letter to the Condo Lakes Townhomes developer requesting payment for legal and engineering fees incurred to date and to advise the developer that the District will not participate in any costs for utility extension to the tract in the future.

Ms. Zapletal reported that the hydropneumatic tank #2 was inspected on April 11, 2011. She reported that upon review of the inspection report noting the severe corrosion, a tank manufacturer recommended operating the tank at a maximum pressure of 50 pounds per square inch ("psi"). Ms. Zapletal noted that the water plant is operated at higher than 50 psi. Ms. Zapletal reported that hydropneumatic tank #1 was inspected on May 11, 2011. She reported that Preventative Services, the inspection company, recommended removal and replacement of hydropneumatic tank #1 due to severe corrosion of the interior. Ms. Zapletal reported that BGE recommended that MOC take both hydropneumatic tanks out of service until replaced. Ms. Zapletal recommended that the District negotiate a contract with Schier Construction Company to remove and replace the two hydropneumatic tanks to realize full hydropneumatic tank

capacity as soon as possible. She recommended that the Board declare the hydropneumatic tank replacement an emergency project to prevent a serious health hazard or unreasonable economic loss to the District due to increasing water demands and/or the potential for catastrophic failure or rupture of the hydropneumatic tanks. Ms. Zapletal reported that Schier Construction Company has estimated the cost for removal and replacement of the two hydropneumatic tanks will be approximately \$200,000 and take 12-14 weeks to complete. Mr. Zabaneh reported that the removal and replacement of the two hydropneumatic tanks is part of the Bond Application Report. Mr. Burton reported that the District may use Operating Funds for the project and reimburse itself from the future bond issuance.

Ms. Zapletal reported that the one-year warranty inspection of the Olympic Village Storm Sewer Rehabilitation, Phase II, occurred on May 4, 2011. She reported that the punch list was completed on May 9, 2011.

Ms. Zapletal reported that the one-year warranty inspection of the Hydropneumatic Tank Addition at Water Plant #1 occurred on April 27, 2011, with no deficiencies noted.

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 Engineer's Report.

Upon motion by Director Waters, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to authorize BGE to prepare the plans for the removal and replacement of both hydropneumatic tanks, to authorize BGE to submit the Authorization to Proceed with an Emergency Project to the TCEQ on the basis of a negotiated bid with declaration that the hydropneumatic tank replacement is an emergency project to prevent a serious health hazard or unreasonable economic loss to the District due to increasing water demands and/or the potential for catastrophic failure or rupture of the hydropneumatic tanks, to authorize BGE to initiate price negotiations with Schier Construction Company for the removal and replacement of the two hydropneumatic tanks for a cost not to exceed \$200,000, and to authorize BGE to proceed with all necessary actions to expedite removal and replacement of the two hydropneumatic tanks.

11. **Atascocita Joint Operations Board report.** Director Clarey reported that the budget was approved with a projected slight decrease in the District's AJOB expenses in the upcoming fiscal year.

12. **Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Hastings reported that the water well ran for sixteen hours for three consecutive days in the past month, which is below the District's threshold for implementation of the Drought Contingency Plan. Mr. Hastings reported that he will contact the Walden Homeowner Association to decrease irrigation if the Drought Contingency Plan criteria is met.

Mr. Hastings reviewed the Termination List and Write-Off List, included in the

Operations Report.

Mr. Hastings reported that a male on a bike was videotaped opening the West Lake Houston Medical external hose bib on Good Friday. He reported that the water ran all weekend. Mr. Hastings reported that West Lake Houston Medical has requested an adjustment of its water bill for the vandalism. The President and Director Waters requested that Mr. Hastings forward the picture of the male to them so they could provide it to the Constable's Office for management.

Upon motion by Director Waters, 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 and to write-off the accounts on the Write-Off List as uncollectible.

13. **Approve Consumer Confidence Report.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the draft 2010 Drinking Water Quality Report, a copy of which is attached hereto as Exhibit "I." Mr. Hastings reported that the District is required to distribute this report to the customers by July 1.

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 2010 Drinking Water Quality Report.

14. **Consider need for insurance proposals.** Ms. Deitrick reported that the District's insurance expires July 1, 2011 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.

15. **Discuss meeting in District.** No action was taken on this item.

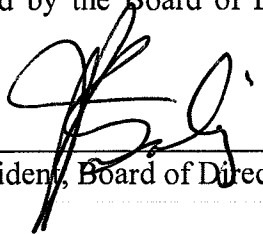
16. **Other matters.** Director Waters reviewed current security issues.

17. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on June 15, 2011 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.

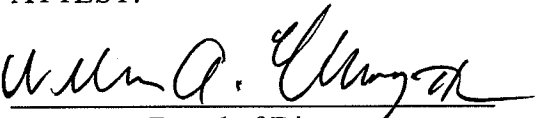
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The foregoing minutes were passed and approved by the Board of Directors on June 15, 2011.



Vice President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

