

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
July 20, 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, July 20, 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. 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. Greg East of Perdue, Brandon, Fielder, Collins & Mott, LLP ("Perdue"), delinquent tax attorney for the District; Mr. Michael McCall of McCall, Gibson, Swedlund, Barfoot, PLLC, 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 15, 2011.** Minutes of the meeting of June 15, 2011, 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.
2. **Public Comments.** There were no public comments.
3. **Approve audit for fiscal year ending March 31, 2011.** 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, 2011, a copy of which is attached hereto as Exhibit

“B.” He reviewed the footnote on the District’s Unlimited Tax Refunding Bonds, Series 2010, which resulted in net present value savings of \$468,826.

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 Waters, seconded by Director Clarey, 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, 2011 and to approve the Board’s response in the management letter.

4. **Approve Continuing Disclosure Report and Authorize Filing.** The President recognized Mr. Thomas, who 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. He reported that the Continuing Disclosure Report is an annual requirement of the District’s bonds which updates the bondholders on the status of the District.

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 authorize the filing of the annual audit as part of the Continuing Disclosure Materials.

5. **Developer’s Report.** The President recognized Ms. Zapletal, who reported that BGE met with Harris County Municipal Utility District No. 494 (“MUD 494”). She reported that Mr. Voinis is working on the agreements between MUD 494 and the District.

6. **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.

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 “D.” Mr. Comeau reported that 98% of the District’s 2010 taxes had been collected as of June 30, 2011.

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. **Delinquent Tax Attorney Report.** The President recognized Mr. East, who presented to and reviewed with the Board the Delinquent Tax Report, a copy of which is attached hereto as Exhibit “E.” Mr. East reviewed the status of lawsuits against delinquent taxpayers. He reported that Perdue sent delinquent letters to the 2010 delinquent taxpayers.

Mr. East reported on the refund request discussed at the last Board meeting. He reported that Perdue sent the letter declining the request for refund and has not heard a response

from the taxpayer. Mr. East reported that Perdue found no proof of the pending litigation against the District's tax assessor collector as referenced in the letter to Perdue.

Mr. East reviewed Perdue's criteria for filing a lawsuit, and management of court and filing fees.

Mr. East requested authorization to transfer account #1055720, in the amount of \$188.53, to the Uncollectible Roll.

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 Delinquent Report and to authorize Perdue to transfer account #1055720, in the amount of \$188.53, to the Uncollectible Roll.

9. **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 #4293 to the Texas Commission on Environmental Quality ("TCEQ") is a reissue because the original check will expire soon. He reported that check #4323 is for unclaimed refunds older than three years escheated to the State Comptroller's Office. Mr. Burton noted that check #4206 to BGE is for several projects.

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 and to authorize payment of the checks listed therein.

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 on the Waterline Rehabilitation Phase One. She reported that the field survey is complete. Ms. Zapletal reported that BGE is preparing the construction plans. She reported that BGE discussed the water line easement for the loop connection through Waterhaven with Mr. Burney, the Waterhaven developer. Ms. Zapletal reported that the water line easement will be finalized and signed upon confirmation of the required width by the City of Houston.

Ms. Zapletal reported on the Bond Application Report. She reported that BGE has provided the final bond application report to F&J and Southwest Securities for review. Ms. Zapletal reported that BGE expects to submit the bond application to the TCEQ by the end of next week.

Ms. Zapletal reported that BGE issued the request for reimbursement for legal and engineering fees incurred to date to Mr. Wade, the Condo Lakes Townhomes developer. She noted that the request advised Mr. Wade that the District will not participate in any costs for utility extension to the tract in the future.

Ms. Zapletal reported on the proposed facilities to serve annexation tracts and

MUD 494. She reported that BGE will present the Water Plant #2 plans to the City of Houston for extension of signature approvals. Ms. Zapletal reported that plan signatures are good for one year. Ms. Zapletal reported that the Lift Station #4 plan signatures expire September 16, 2011. She reported that the City of Houston will not extend the Lift Station #4 plan signatures because the City of Houston recently updated its lift station design guidelines which will require changes to the original design. Ms. Zapletal reported that either the developers have to fund the project and construction will need to begin prior to September 16, 2011, or the Lift Station #4 plans will have to be revised to meet the new City of Houston design criteria. Mr. Zabaneh requested Board authorization to approach the developers to ask if they are ready to fund the Lift Station #4 construction.

Ms. Zapletal reported on the Water Plant No. 1 Emergency Hydropneumatic Tank Replacements. She reported that BGE received the Professional Services Industries proposal for material testing services in the amount of \$2,322, which is less than the maximum approved by the Board in June. Ms. Zapletal reported that the contractor will move in for demolition of the existing hydropneumatic tanks on August 8, 2011 or August 15, 2011. She reported that the two hydropneumatic tanks will be removed, the new foundations installed and then installation of the new hydropneumatic tanks. Ms. Zapletal reported that MOC has implemented an odd/even watering program in the District.

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 authorize BGE to approach the developers for funding of the construction of Lift Station #4 and to authorize BGE to advertise for bids for Lift Station #4 if the developers are ready to fund the project.

11. **Atascocita Joint Operations Board report.** Director Clarey reported that the facilities are operating well. He noted that the AJOB Board resolved a director per diem issue which all the participating districts fund.

12. **Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Montgomery, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Montgomery reported that the water well run time is fine and averaging approximately 15.5 to 16 hours per day.

Mr. Montgomery reviewed the Termination List and Write-Off List, included in the Operations Report.

Mr. Montgomery requested Board authorization for low flow testing of the District's 252 fire hydrants at a cost of \$5 per fire hydrant. He reported that the test is performed annually to ensure sufficient water flows for fire protection.

Mr. Montgomery reported that a resident on Arbor Pines Lane contacted MOC to reported that her daughter contracted salmonella and the doctor said it was from the water supply. He reported that MOC obtained samples for bacteriological analysis and all samples passed. Mr. Montgomery reported that the samples were tested for salmonella and did not demonstrate any salmonella. He reported that salmonella would be impossible to exist with the

chlorine residual in the water. Mr. Montgomery reported that the test results were provided to the resident and he has not received a reply from the resident.

Mr. Montgomery reported that a sanitary sewer backup occurred at 19134 Hikers Trail Drive on July 15, 2011. He reported that MOC was contacted at 5:00 p.m. Mr. Montgomery reported that MOC discovered a large grease stoppage in the sanitary sewer line. He reported that one to two inches of material backed up into the residence. Mr. Montgomery reported that the resident's insurer denied the claim.

At 12:30 p.m., the Board convened in executive session pursuant to Section 551.071, Texas Government Code, as amended, to discuss possible litigation. The Board reconvened in open session at 12:49 p.m.

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 the low flow testing of the District's fire hydrants at a cost of \$5.00 per hydrant, and to authorize the District bookkeeper to pay interim contractor invoices for restoration of the residence at 19134 Hikers Trail Drive pursuant to the Texas Municipal League adjuster's recommendations and cost estimates.

13. **Review of drought status.** This was covered in the Operator's Report.

14. **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.

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

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

Samuel B. Clapp
President, Board of Directors

ATTEST:

Maria Clapp
Secretary, Board of Directors

(DISTRICT SEAL)

