

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 21, 2005

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132 §

The Board of Directors (the “*Board*”) of Harris County Municipal Utility District No. 132 (the “*District*”) met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 at 12:00 p.m. on April 21, 2005; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Andy Armstrong, Secretary/Treasurer
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present except Directors Johnson and Haney. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Ben Pawlak of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc., engineer for the District; Mr. Locke Braly of Kings River II, Ltd., developer of land in the District; Ms. Barbara Payne and Ms. Nikki Wynn of Payne Communications; Ms. MaryAnn Cashion, a resident of the District; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

Call to Order. The President called the meeting to order in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit “A”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of March 17, 2005, previously distributed to the Board, were presented for approval. Director Wilkinson stated that item three of the minutes should be revised to reflect: “Upon motion by Director Hughes, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to engage WaterDistrict.com to create and maintain a District website (Plan C – Full Site) and to engage WaterDistrict.com/Payne Communications to serve as a public affairs consultant for the District.” Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 17, 2005, as corrected.

2. **Receive comments from the public.** Director Wilkinson opened the meeting to comments from the public. There were no comments from members of the public.

3. **Discuss and take any action regarding backcharges in connection with the Kings River Estates, Section Three, Four, and Six developments.** The President recognized Mr. Braly, who stated that the TCEQ performed a construction inspection of the Kings River

Estates facilities and authorized acceptance of the facilities over a year and a half ago. Mr. Braly stated that he does not feel that the developer should be backcharged for the recent cost of raising the level of the District's sewer manholes because such action was taken by the District after the TCEQ approved the original construction, but prior to the TCEQ's approval of the District's purchase of such facilities. Discussion ensued. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to this Board, the Board voted unanimously to reaffirm the Board's previous action in connection with this matter by holding Kings River II, Ltd. liable for the backcharges in connection with Kings River Estates, Sections Three, Four and Six.

4. **Engage auditor for fiscal year ending May 31, 2006.** Ms. Cogburn noted that the Board previously engaged McCall, Gibson & Co., P.L.L.C. for a two year audit period due to the new GASB 34 requirements.

5. **Review Bookkeeper's Report and Investment Report.** The President recognized Ms. Kelly, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "B." Upon motion by Director Armstrong, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to approve the Investment Report, and to authorize payment of check numbers 4851 through 4874 (excepting check no. 4858) from the Operating Account, all as listed in the Bookkeeper's Report.

6. **Approve budget for fiscal year ending May 31, 2006.** This item was deferred until the Board's next meeting.

7. **Discuss and take any action in connection with creation of a District website and additional District communications, including engaging a public affairs consultant.** The President recognized Ms. Payne, who presented to and reviewed with the Board a proposal for the creation and management of a District website, a copy of which is attached hereto as Exhibit "C." Discussion ensued. It was noted that the Board previously engaged Payne Communications to create and maintain a District website (Plan C – Full Site) and to serve as a public affairs consultant for the District. Director Hughes noted that he has been coordinating with Ms. Payne to move forward with a multi-faceted approach for District communications, including the creation of a website and a newsletter. Ms. Payne stated that she will reserve a website domain name for the District today. Upon motion by Director Armstrong, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize payment to Payne Communications in the amount of \$2,054.46 (which includes a one-time set-up fee and the first year's fees for managed hosting), subject to receipt of an invoice.

8. **Authorize amendment to metes & bounds description in connection with Strategic Partnership Agreement.** Ms. Cogburn stated that she was informed by Margaret Wallace of the City of Houston that the current metes & bounds description inadvertently included Parkside at Kingwood Glen, which is residential property. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to authorize an amendment to the metes & bounds

description in connection with the Strategic Partnership Agreement, thereby excluding the residential property.

9. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Pawlak presented to and reviewed with the Board the Tax Assessor and Collector's Report for March, 2005, a copy of which is attached hereto as Exhibit "D." Mr. Pawlak noted that 93.8% of the District's 2004 taxes had been collected as of March 31, 2005.

Mr. Pawlak noted that Rick Foster is no longer with Bob Leared Interests. Director Hughes expressed concern regarding the status of the audit report in connection with the Strategic Partnership Agreement ("SPA"). Mr. Pawlak stated that he will ensure that the SPA audit is being performed and that the work is being completed at the hourly rate pursuant to the District's existing contract with the tax assessor and collector.

Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, and to authorize payment of check numbers 1360 through 1366 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

10. **Discuss impact of SPA on budget and tax rate.** This item was deferred until the Board's next meeting.

11. **Engage delinquent tax attorney to enforce the collection of delinquent taxes.** This item was deferred until the next Board meeting.

12. **Authorize additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2005.** This item was deferred until the next Board meeting.

13. **Operations Report and Billing and Collecting Report.** The President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report and a list of the delinquent accounts, copies of which are attached hereto as Exhibit "E." Mr. Mensik reported that 94.06% of the water pumped was billed for the month ending March 18, 2005.

Mr. Mensik reported that he received a call from an inspector for the City of Houston, who informed him that a resident at 3 Noble Run requested water service from the City of Houston. Mr. Mensik reported that the City of Houston installed a water meter and tap (connected to the District's line). Mr. Mensik noted that the area in which this resident lives is to be provided water and sanitary sewer service by the District pursuant to the Utility Service Agreement between the District and the City of Houston. Extensive discussion ensued. Mr. Mensik noted that the City of Houston has been billing the resident for utility service for the past three months. It was the consensus of the Board to have ST notify the resident that they must comply with the provisions of the District's Rate Order to receive service from the District and to suggest that the resident seek reimbursement for fees paid for utility service from the City of Houston. The Board also authorized ST to bill the resident for sewer service and water utilized during the previous three months.

Mr. Mensik reported that he located proof that ST sent the first notification to Ms. Christina Haynie informing her that her water service would be terminated due to non-payment. Mr. Mensik stated that he could not locate proof that the second notification was sent to Ms.

Haynie. Discussion ensued. Director Hughes stated that since ST is responsible for providing proof of notification of water service terminations, ST should also be responsible for refunding Ms. Haynie the \$120, as requested. Mr. Mensik stated that ST will provide a refund to Ms. Haynie per her request.

Mr. Mensik presented to the Board a draft of the Consumer Confidence Report, a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to authorize termination of service to delinquent accounts.

14. **Engineer's Report.** Ms. Zapletal 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 bond report for the seventh bond issuance will be submitted to the TCEQ next week.

Ms. Zapletal reported that Brown & Gay received and reviewed plans from Silken Body Day Spa for extending the eight-inch sanitary sewer line to service the property. Ms. Zapletal stated that Brown & Gay requested revisions to the plans. Ms. Zapletal noted that the fees incurred by the District for the engineering review exceed the \$500 authorized by the District's Rate Order. Ms. Zapletal stated that Brown & Gay recommends that the District bill for the additional charges if authorized by the Rate Order.

Ms. Zapletal reported that she had received the preliminary plans for the development of 8.7 acres along FM 1960 East and that the owner plans to develop four pad sites along FM 1960 East.

Ms. Zapletal reported that Brown & Gay has received a Harris County Express Review Sheet in connection with the Atascocita Animal Hospital. Ms. Zapletal reported that the plat for the hospital is in the recordation process.

Ms. Zapletal reported that the revised construction plans for the Pine Echo Retail Center have been received and are currently being reviewed. Ms. Zapletal reported that the plat for this property is being revised before final approval and recordation.

Ms. Zapletal reported that a copy of the recorded plat for the Fazoli's Restaurant has been received. Ms. Zapletal noted that Brown & Gay has not yet received the revised plans for the driveway entrance from West Lake Houston Parkway to accommodate the District's access to Water Plant No. 2, as previously requested.

Ms. Zapletal reviewed with the Board a summary of the video footage in connection with the cleaning and televising of the sanitary sewer lines, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that a total of 855 linear feet of six-inch pipe, 4,704 linear feet of eight-inch pipe, 1,146 linear feet of twelve-inch pipe, and 103 linear feet of fifteen-inch pipe have been televised in Atascocita Shores, Section Two. Ms. Zapletal noted that Brown & Gay is requiring a submittal for the re-inspection of approximately 255 linear feet of six-inch pipe due to the quality of the video footage.

Ms. Zapletal reported that phase one of the sanitary sewer rehabilitation is progressing. Ms. Zapletal presented to and reviewed with the Board Pay Estimate No. Four in the amount of

\$40,554.45 in connection with the project, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that Insituform Technologies, Inc. rehabilitated approximately 738 linear feet of eight-inch pipe and 112 linear feet of ten-inch pipe in January and February. Ms. Zapletal reported that the total contract amount to date is \$358,500.36. Ms. Zapletal reported that all of the work under the original scope of the contract has been completed. Ms. Zapletal noted that the contractor has scheduled the lining work related to Change Order No. Two for next week. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve Pay Estimate No. Four in the amount of \$40,554.45 in connection with phase one of the sanitary sewer rehabilitation and to authorize payment of same.

Ms. Zapletal reported that Brown & Gay has been working with the TCEQ over the last month to address comments they received on the request for minimum alternative capacity requirements for a system with more than 2,500 connections. Ms. Zapletal stated that the TCEQ noted that the existing emergency interconnections are not accurately being metered in a way to determine the peak daily demand on the District's water system. Ms. Zapletal stated that Brown & Gay is researching the requirements for metering and will present a recommendation at the next Board meeting.

15. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay has not received any requests in the past month regarding capacity commitment or capacity availability information. Ms. Zapletal reported that in reviewing the existing capacity commitment letters for compliance with the requirement to commence construction of taxable improvements, Brown & Gay recommends that the utility commitment for the Chateaux at Pinehurst Apartments (8411 FM 1960 East) be terminated because no construction has commenced within one year as required by the commitment letter. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to terminate the capacity commitment letter for the Chateaux at Pinehurst Apartments.

16. **Approve revised Drought Contingency Plan (due May 1, 2005).** Ms. Zapletal presented to and reviewed with the Board the proposed revised Drought Contingency Plan for the District, a copy of which is attached hereto as Exhibit "H." Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the revised Drought Contingency Plan.

17. **Approve proposal for engineering services related to the installation of an additional pump at lift station no. four.** Ms. Zapletal presented to and reviewed with the Board an engineering proposal to perform the services in connection with the improvements to the shared lift station with Harris County Municipal Utility District No. 151, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that the improvements are necessary in order to provide sanitary sewer service to a 44-acre commercial tract north of FM 1960 and west of Kings Park Way. Ms. Zapletal noted that the engineering fees will not exceed \$25,000. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the proposal for engineering services related to the improvements at lift station no. four.

18. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department regarding ISO rating.** Ms. Cogburn reported that F&J has requested that the AVFD provide a detailed invoice summarizing the costs of the survey that relate directly to the individual municipal utility districts' water systems, but the AVFD stated that they are not able to provide such an invoice. Ms. Cogburn stated that she will call Mr. Gary Rice of the AVFD to further discuss such matter.

19. **Discuss and take any action in connection with alternate meeting locations.** Discussion ensued regarding the feasibility of holding quarterly meetings within the District's boundaries. Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to hold quarterly meetings within the District (starting in June) on the third Thursday of the month at 7:00 p.m. at either the Atascocita Country Club or the Harris County Public Library, Atascocita Branch, depending on availability.

20. **Status report on flow meters.** Mr. Mensik noted that the flow meter at lift station no. one registered 289 gallons per day per equivalent single family connection ("ESFC") last month. Mr. Mensik reported that the flow meter at lift station no. two registered 360 gallons per day per ESFC last month. Mr. Mensik reported that a recent video of lines shows a substantial amount of infiltration. It was the consensus of the Board for the District's engineer to review the video footage and prepare a proposal and recommendations.

21. **Other matters.** There were no other matters to come before the Board at this time.

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

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The above and foregoing minutes were passed and approved by the Board of Directors on
May 19, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)