

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 30, 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 special session, open to the public, at the Atascocita Country Club, 20114 Pinehurst, Humble, Texas at 7:00 p.m. on June 30, 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. Director Armstrong entered the meeting in progress. Also attending all or parts of the meeting were Ms. Sheila Stedman of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Michelle Guerrero 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; Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and numerous residents of the District. A sign-in sheet is attached hereto as Exhibit “A”.

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 “B”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of May 19, 2005, previously distributed to the Board, were presented for approval. Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of May 19, 2005, as presented.

2. **Receive comments from the public.** The Board then recognized two members of the public, Mr. Harold Dampier and Mr. Al McArthy. The Board responded Mr. Dampier’s and Mr. McArthy’s comments and questions.

Director Armstrong entered the meeting at this time.

3. **Review Bookkeeper’s Report and Investment Report.** The President recognized Ms. Stedman, who presented to and reviewed with the Board the Bookkeeper’s Report and Investment Report, copies of which are attached hereto as Exhibit “C.”

Ms. Stedman noted that check no. 4917 in the amount of \$31,677.30 to Insituform Technologies, Inc. will be voided and reissued for \$23,267.70. In response to a question from Director Hughes, Ms. Zapletal stated that Brown & Gay inadvertently sent Pay Estimate No.

Five to the bookkeeper before it was approved by Brown & Gay. Ms. Zapletal stated that she will ensure that such a mistake does not happen again.

Upon motion by Director Armstrong, seconded by Director Johnson, 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 4904 through 4934 from the Operating Account (excepting check no. 4917), all as listed in the Bookkeeper's Report.

4. Discuss impact of Strategic Partnership Agreement ("SPA") with City of Houston on budget and tax rate. Ms. Guerrero reported that a revised business list has been sent to the City of Houston and tax collections should commence on July 1, 2005. Ms. Guerrero stated that, based on a conversation with Margaret Wallace at the City of Houston, the District can expect to receive around \$500,000 annually in SPA revenue.

5. Review Tax Collector's Report and authorize payment of certain bills. Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report for May 2005, a copy of which is attached hereto as Exhibit "D." Ms. Guerrero noted that 95.5% of the District's 2004 taxes had been collected as of May 31, 2005. Ms. Guerrero reported that notices have been sent notifying taxpayers that a 20% penalty will be added to taxes that remain unpaid on July 1, 2005. Upon motion by Director Haney, 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 1374 through 1380 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. Adopt Resolution Authorizing Request for Estimate of Assessed Valuation. The Board reviewed the Resolution Authorizing Request for Estimate of Assessed Valuation as of May 1, 2005, a copy of which is attached hereto as Exhibit "E." Upon motion by Director Haney, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing Request for Estimate of Assessed Valuation.

7. Operations Report and Billing and Collections 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 "F." Mr. Mensik reported that 99.63% of the water pumped was billed for the month ending May 23, 2005.

Mr. Mensik requested permission to turn two accounts in the amount of \$249.53 over to collections.

Mr. Mensik presented to and reviewed with the Board pictures of a manhole located on the driveway at 20228 Atascocita Shores. Mr. Mensik reported that the manhole has settled under the driveway and needs to be raised. Mr. Mensik reported that he has contacted Insituform Technologies, Inc. to perform an inspection and make a recommendation for repair. It was the consensus of the Board for the manhole to be raised and the affected portion of the driveway to be replaced.

Discussion ensued regarding the delinquent builder damages amounts. It was the consensus of the Board for Mr. Mensik to provide the necessary work orders/invoices for all builder damages exceeding 90 days to Ms. Christensen so that Ms. Poissant can attempt to collect these amounts.

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, to authorize termination of service to delinquent accounts and to authorize ST to turn two accounts in the amount of \$249.53 over to collections.

Mr. Mensik presented to and reviewed with the Board a summary of the water and sewer taps and service to Mr. Lee at 3 Noble Run, a copy of which is attached hereto as Exhibit "G." Mr. Lee stated that the City of Houston installed two water taps (one for irrigation), a sewer tap, and a water meter for utility service to Mr. Lee's residence. Mr. Mensik reported that 3 Noble Run is within the City of Houston, but the District has an agreement with the City of Houston to provide water and sewer service to such area. Discussion ensued. Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to accept the water and sewer taps that the City of Houston installed, to authorize ST to replace both the one-inch and one and one and 1/2 inch meter for a cost of \$150.00 and \$270.00, respectively, and to authorize ST to bill Mr. Lee for water (no sewer) utilized.

8. **Authorize Amendment to Operations Contract.** It was the consensus of the Board for Mr. Mensik to provide a proposed Amendment to the Operations Contract to all Board members for review.

9. **Status report on flow meters.** Mr. Mensik noted that the flow meter at lift station no. one registered 255 gallons per day per equivalent single family connection ("ESFC") for the month of April and 294 gallons per day per ESFC for the month of May. Mr. Mensik reported that the flow meter at lift station no. three registered 336 gallons per day per ESFC for the month of April and 331 gallons per day per ESFC for the month of May. Mr. Mensik reported that a recent video of lines shows a substantial amount of infiltration. Ms. Zapletal reported that Brown & Gay is reviewing such tapes and any necessary rehabilitation will be included in the next phase of the sanitary sewer rehabilitation. Discussion ensued. Director Hughes requested that future contracts between the District and any contractors need to have some incentives/disincentives in order to ensure that contractors will complete construction on a timely basis. In response to a question, Ms. Zapletal reported that approximately 34,000 linear feet of the District's sewer lines have been included within phases 1, 2, and 3 of the sanitary sewer rehabilitation and there are approximately 100,000 linear feet of sewer lines remaining to be included in future phases of the rehabilitation. Ms. Zapletal noted that approximately 30% of the older sanitary sewer lines have been televised.

10. **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 "H."

Ms. Zapletal reported that Brown & Gay received and reviewed the preliminary plans for Panda Express.

Ms. Zapletal reported that Brown & Gay received a copy of the recorded plan and has approved the plans in connection with the Pine Echo Retail Center.

Ms. Zapletal reported that Brown & Gay has received the plumbing plan for the Mojitos Café. Ms. Zapletal noted that the utility demands for the Mojitos Café will be equivalent to those of the previous lessee, Subway. Ms. Zapletal stated that no adjustment to the capacity commitment for the retail center will be necessary.

Ms. Zapletal reported that Cobb, Fendley & Associates has provided Brown & Gay with the preliminary construction plans in connection with a proposed Wachovia Bank. Ms. Zapletal reported that the engineer for the construction project, Turner, Collie, & Braden, is working on construction plans that will provide storm sewer and sanitary sewer connections to this tract. Ms. Zapletal reported that Brown & Gay will provide comments to the engineer after the Board's authorization of the capacity commitment.

Ms. Zapletal that Insituform Technologies, Inc. is progressing with phase one of the sanitary sewer rehabilitation. Ms. Zapletal presented to and reviewed with the Board Pay Estimate No. Five in the amount of \$23,267.70, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that Brown & Gay recommends approval and payment of Pay Estimate No. Five. 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. Five and authorize payment of \$23,267.70 to Insituform Technologies, Inc. in connection with phase one of the sanitary sewer rehabilitation.

Ms. Zapletal reported that Brown & Gay is in the process of preparing plans and specifications for phase three of the sanitary sewer rehabilitation. Ms. Zapletal noted that, upon completion, the plans will be submitted to Harris County for review and approval.

Ms. Zapletal reported that the Texas Commission on Environmental Quality has not conducted the final review of the request for minimum alternative capacity requirements for a system with more than 2,500 connections.

Ms. Zapletal reported that ST has provided Brown & Gay with video footage of 4,599 linear feet of sewer lines. Ms. Zapletal stated that Brown & Gay estimates the cost for heavy cleaning and rehabilitation of the deficiencies in such lines within Atascocita Shores, Section 2 and 6 will be approximately \$273,116. A summary of the video footage and the cost estimate are attached to the Engineer's Report.

11. **Award contract for phase two of the sanitary sewer rehabilitation work.** Ms. Zapletal presented to and reviewed with the Board the bid tabulation for phase two of the sanitary sewer rehabilitation, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that four bids were received and, after adjustment due to an addendum, Repipe Texas, Inc. was the low bidder. Ms. Zapletal stated that Brown & Gay recommends awarding the contract to the low bidder, Repipe Texas, Inc., in the amount of \$319,383.00. 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 award the contract for phase two of the sanitary sewer rehabilitation to Repipe Texas, Inc. in the amount of \$319,383.00.

12. **Discuss and take any action in connection with use of funds to pay pro-rata share of wastewater treatment plant expansion.** Ms. Zapletal noted that the District's pro-rata share of the wastewater treatment plant expansion and improvements totals approximately

\$1,160,000. Ms. Zapletal stated that such amount has been included in the District's next bond issue.

13. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Wachovia Bank plans to construct a banking facility on 1.14 acres on FM 1960 East near Lowes. Ms. Zapletal stated that Brown & Gay recommends approving a capacity commitment letter for 1.36 ESFC for Wachovia Bank. Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of a capacity commitment letter for Wachovia Bank.

14. **Approve proposal for engineering services related to the installation of an additional pump at lift station no. four.** Ms. Zapletal reported that design of the improvements to the shared lift station with Harris County MUD No. 151 is underway. Ms. Zapletal stated that the electrical engineer visited the site on Friday, April 22, 2005 to inspect and confirm the existing electrical components. Ms. Zapletal stated that the force main and wet well have been analyzed to confirm that capacity is sufficient for the lift station's service area.

15. **Status report on design in connection with installation of an additional pump at lift station no. four (shared with HCMUD No. 151).** Ms. Zapletal reported that the preliminary design of the improvements is complete. Ms. Zapletal stated that plans will be provided to the engineer and operator for Harris County Municipal Utility District No. 151 and the City of Houston and Harris County for review and approval.

16. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department regarding ISO rating.** Ms. Christensen reported that Ms. Cogburn has contacted the attorney for Emergency Services District No. 46 and requested a detailed invoice summarizing the costs of the ISO survey that relate directly to the individual municipal utility districts' water systems. This item was tabled, pending receipt of the requested documentation.

17. **Discuss and take any action in connection with District communications.** Director Hughes reported that the District's website is online and agendas, minutes, and the District's Drought Contingency Plan have been posted on the website. Director Wilkinson proposed that an article in the AWBD Journal regarding grease build-up in sewer lines be posted on the website.

18. **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
July 21, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)