

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 19, 2006

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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas on October 19, 2006 at 6:00 p.m.; whereupon the roll was called of the directors, to-wit:

Ray Hughes, President
Marie Wilkinson, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Tim Stine, Assistant Secretary

All members of the Board were present except Director Wilkinson. Director Hughes entered the meeting in progress. 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. Fred Richardson of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Mr. Locke Braly of Kings River II, Ltd., a developer of land in the District; Ms. Jana Cogburn and 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 Secretary 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 September 21, 2006, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 21, 2006, as presented.

2. **Receive comments from the public, including Public Hearing on tax rate for 2006.** The Secretary opened the hearing on the proposed 2006 tax rate. There were no comments on the tax rate from the public.

3. **Review Bookkeeper’s Report and Investment Report.** The Secretary 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 “C.”

Discussion ensued regarding the Operating Budget for fiscal year ending May 31, 2007, a copy of which is attached to the Bookkeeper's Report. In response to a question from Director House, Ms. Kelly stated that the Strategic Partnership Agreement revenue received in the last month was for a two month period.

Upon motion by Director Stine, seconded by Director House, 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 5457 through 5475 from the Operating Account.

4. **Approve amended budget for fiscal year ending May 31, 2007.** Director Stine presented to and reviewed with the Board the amended budget for fiscal year ending May 31, 2007, a copy of which is attached hereto as Exhibit "D." Director Stine recommended that the Board approve the amended budget, as presented. Discussion ensued regarding reimbursing the District's General Operating Fund from surplus funds in the Capital Projects Fund. Ms. Zapletal stated that the District has approximately \$665,000 in surplus funds in the Capital Projects Fund, a draft of the surplus funds summary is attached to the Engineer's Report. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the reimbursement of the District's General Operating Fund (for projects already funded) with surplus funds in the Capital Projects Fund in a maximum amount to be calculated by the District's engineer and to approve the amended budget for fiscal year ending May 31, 2007, as presented.

Director Hughes entered the meeting at this time.

5. **Review Tax Collector's Report and authorize payment of certain bills.** The President recognized Mr. Pawlak, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for September 2006 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Pawlak noted that 97.55% of the District's 2005 taxes had been collected as of September 30, 2006. Upon motion by Director Haney, seconded by Director Stine, 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 1098 through 1103 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Adopt Order Setting Tax Rate and Levying Tax For 2006.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2006, a copy of which is attached hereto as Exhibit "F." Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2006, thereby levying a tax rate of \$0.35 per \$100 assessed valuation (\$.25 for debt service and \$0.10 for operations and maintenance).

In response to a question, Mr. Pawlak noted that the Notice of Public Hearing was re-published due to an error in the first publication.

7. **Approve Amendment to Amended and Restated District Information Form.** The Board reviewed the Amendment to the Amended and Restated District Information Form, a

copy of which is attached hereto as Exhibit "G." Ms. Cogburn stated that an Amended and Restated District Information Form is required to be filed in the Harris County Real Property Records due to a change in the tax rate from last year. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution and filing of the Amended District Information Form in the Harris County Real Property Records.

8. **Operations Report and Billing and Collections Report.** The President recognized Mr. Richardson, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Richardson reported that 95.25% of the water pumped was billed for the month ending September 26, 2006. Upon motion by Director Stine, seconded by Director Haney, 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.

Director Haney requested that ST investigate a possible water line leak at the 2600 block of Atascocita Shores.

9. **Status report on electricity contract.** Director Haney reported that after the last Board meeting he signed a three-year contract with Suez Energy Resources on behalf of the District for electricity services. Director Haney presented to and reviewed with the Board a summary of the projected annual savings in connection with the three-year contract with Suez Energy Resources, a copy of which is attached hereto as Exhibit "I."

10. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** There was nothing to report on this item at this time.

11. **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 "J," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Gurdy's Express Car Wash (Atascocita Road): The existing private line that was installed with the Four Seasons Self Storage was not originally connected to the public waterline in Atasca Oaks. The construction plans for the car wash did not show a proposed connection so Brown & Gay and ST did not realize the tap needed to be made until the time of the meter installation. This additional work, which had to be completed with overtime personnel, requires additional tap fees from the car wash. ST and Brown & Gay request the Board's input on the billing for such overtime.
- b. On The Border Restaurant (FM 1960 East): The City of Houston Planning Commission approved the plat on October 12th and confirmation from the City was received on October 13th. Brown & Gay has approved the connections to the water and sanitary sewer.
- c. Retail space on Atascocita Road (1.0827 acres): Nothing new for this meeting.
- d. Wells Fargo (FM 1960 East in front of HEB): Nothing new for this meeting.

- e. Residential/commercial construction at FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- f. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- g. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.

Sanitary Sewer Rehabilitation – Phase III:

Pay Estimate No. Five from Insituform Technologies in the amount of \$20,440.30 has been reviewed and is approved for payment. The pay estimate includes payment for approximately 400 LF of rehabilitation and related work.

Emergency Rehabilitation of 18-Inch Sanitary Sewer Force Main:

Brown & Gay is saddened to make the Board aware of the passing of the field superintendent for this project on September 23rd. Insituform Technologies has assigned a new contact to maintain progress on the project. The contractor plans on completing the project by November 10th including final restoration. They have the discharge connection, lift station connection, two air release valve manhole completion, bypass tear down and restoration remaining on the project.

Brown & Gay has issued a request for reimbursement to the District for the participants' share of the engineering fees through September. A copy of the letter is attached for your information.

Pay Estimate No. Two from Insituform Technologies in the amount of \$505,447.20 has been reviewed and is approved for payment. The shares of this pay estimate are as follows: HCMUD 132 = \$287,094.01, HCMUD 151 = \$63,180.90, and HCMUD 153 = \$155,172.99. Each District shall pay its own share directly to the contractor. The pay estimate includes payment for 5,042 LF of 18-inch minor cleaning; 5,042 LF of 18-inch pressure pipe inspection; and 4,142 LF of non-potable pressure pipe lining and eight end seals.

Brown & Gay presents Change Order No. One items necessary for the completion of the work. These items were required for construction due to pipe and site conditions (#1, #2, #8 & #9), will facilitate future access by the operator (#3), will reduce friction losses within the force main (#4, #5, & #7), and will replace the driveway that was removed for construction access (#6). Attached is a copy of Change Order No. One. The District's share of this work will be \$66,856.84 (56.80%). The District's total estimated construction cost based on the revised contract amount is \$518,019.92. The change order is presented for signature tonight.

Item No.	Item Description	Cost
1.	Cleaning by scrapers or other attached tools (heavy cleaning) (Original bid price for Extra Item No. 1)	\$ 49,860.00
2.	Centerpoint Energy Fees to de-energize electrical lines in vicinity of work	\$ 4,840.00
3.	2-6-foot diameter manholes for access to air release valves	\$ 25,540.40
4.	Replace 18-inch 90-degree bend with 45-degree bends before crossing FM	\$ 7,467.50

	1960 East	
5.	Coat existing 45-degree bends at the lift station	\$ 6,019.80
6.	Replace Driveway at lift station site	\$ 5,228.80
7.	Replace 45-degree bend with 2-45 degree bends Sta. 50+80	\$ 9,675.40
8.	Extra Pit at Sta. 45+35 due to location of air release valve	\$ 4,902.40
9.	Extra set up and removal of inversion tower	\$ 4,171.40
TOTAL		\$ 117,705.70

Installation of Natural Gas Generators at Water Plants and Lift Stations:

Fulbright & Jaworski has approved the bonds and insurance provided by C.F. McDonald Electric Company. The contracts are presented for the Board’s signatures tonight. The pre-construction meeting was conducted on October 13th. The Notice to Proceed is scheduled for issuance on Monday, October 23rd. The original contract amount is \$941,636.50.

Cleaning & Televising of Sanitary Sewer Mains:

Severn Trent has submitted the remainder of the video footage to Brown & Gay. The video review spreadsheet and exhibits are attached to the report for the Board’s information. BGE is currently coordinating with ST on clarification of the location of a few segments. The estimated rehabilitation cost for Priorities One through Three is \$446,372.

Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Brown & Gay and ST to bill Gurdy’s Express Car Wash in accordance with the District’s Rate Order for commercial taps, to approve Pay Estimate No. Five from Insituform Technologies in connection with phase three of the sanitary sewer rehabilitation in the amount of \$20,440.30 and authorize payment of same, to approve Pay Estimate No. Two from Insituform Technologies in the amount of \$505,447.20 in connection with the emergency force main repairs and authorize payment of the District’s share of this pay estimate (\$287,094.01), and to approve Change Order No. One from Insituform Technologies in connection with the emergency force main repairs which results in a net increase in the District’s pro-rata cost of the contract by \$66,856.84 (increasing the District’s portion of the total contract amount to \$518,019.92).

12. **Review and authorize capacity commitments.** Ms. Zapletal stated that no capacity commitment requests have been received since the last Board meeting.

13. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Cogburn stated that the District is legally able to maintain drainage ditches and pay to investigate the drainage problems in Kings River Estates, Section 4. Ms. Zapletal stated that it will cost between \$7,500 and \$11,000 to investigate the cause of the current drainage problems. Upon motion by Director House, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Brown & Gay to proceed with investigating the cause of the current drainage problems at a cost not to exceed \$11,000.

14. **Discuss and take any action in connection with District Communications.** There was no discussion on this item at this time. Ms. Christensen noted that she will contact Ms. Wynn at Payne Communications regarding her absence from the meeting.

15. **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 November 16, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)