

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 20, 2007

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 on September 20, 2007 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 Haney. Director Hughes entered the meeting in progress. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Beulah Kelly and Ms. Fredia Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal and Mr. John Dreahn of Brown & Gay Engineers, Inc., engineer for the District; Ms. Debbie Gibson of McCall, Gibson & Company, PLLC, auditor for the District; Ms. Nikki Wynn of Payne Communications; and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and two residents of the District. A sign- in sheet is attached hereto as Exhibit “A.”

Call to Order. The Vice 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 August 16, 2007, previously distributed to the Board, were presented for approval. 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 approve the minutes of the meeting of August 16, 2007, as presented.

2. **Receive comments from the public.** There were no comments from members of the public at this time.

3. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit “C.” Ms. Cogburn stated that the District is required to file such report with all nationally recognized municipal securities information repositories (“NRMSIRs”) and the state information depository pursuant to the bond orders for the District’s 2000, 2003 and 2006 bond issues. 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 Annual Report on Financial Information and Operating Data and to authorize the filing of same with all NRMSIRs and the state information depository.

4. **Review Bookkeeper's Report and Investment Report.** The Board reviewed the Bookkeeper's Report for the month ending September 20, 2007 and the Investment Report, copies of which are attached hereto as Exhibit "D."

Discussion ensued regarding the minimal interest earned on the District's Capital Project Funds at Sterling Bank and the possibility of transferring such account to Texas State Bank. Ms. Cogburn stated that only a few banks are willing to set up accounts with government funds.

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 for September 2007, to approve the Investment Report, and to authorize payment of check numbers 5813 through 5861 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Review Tax Collector's Report and authorize payment of certain bills.** The Vice President recognized Mr. Keefe, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for August 2007, a copy of which is attached hereto as Exhibit "E." Mr. Keefe noted that 97.79% of the District's 2006 taxes had been collected as of August 31, 2007. 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 Tax Assessor and Collector's Reports and to authorize payment of check numbers 1211 through 1219 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The Vice President recognized Ms. Cogburn, who reviewed with the Board a preliminary cash flow analysis and a recommendation for levying the 2007 tax rate, which were prepared by the District's financial advisor, copies of which are attached hereto as Exhibit "F." Ms. Cogburn stated that the financial advisor is recommending that \$250,000 from Strategic Partnership Agreement revenue be transferred into the District's debt service fund if the District levies the same debt service tax rate as last year (\$0.25 per \$100 of assessed valuation). Ms. Cogburn reported that the District's current appraised value is approximately \$391,000,000. Mr. Stine then presented to and reviewed with the Board a long term debt service schedule that he prepared, a copy of which is attached hereto as Exhibit "G." Discussion ensued. It was the consensus of the Board to table such item until the next Board meeting when the financial advisor is in attendance.

Director Hughes entered the meeting at this time.

7. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Reports for August 2007, a copy of which is attached hereto as Exhibit "H." Mr. Mensik reported that 95.80% of the water pumped was billed for the month ending August 30, 2007.

Mr. Mensik reviewed with the Board a letter from Trinity Property Consultants requesting assistance with the most recent water bill for the strip center located at 7500 Atascocita Road due to a water line leak. Mr. Mensik noted that the amount of last water bill for the strip center was approximately \$15,000 (\$6,615 in sewer charges). Upon motion by Director Wilkinson, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize ST to credit Trinity Property Consultants for the sewer portion of its water bill due to the water line leak.

Mr. Mensik reviewed with the Board a letter from Severn Trent Services regarding security measures that have been implemented and additional security measures available for municipal utility districts.

Mr. Mensik requested permission to turn six accounts in the aggregate amount of \$580.10 over to collections and to write off two accounts in the amount of \$21.80. Director Hughes stated that the Board previously agreed to send all accounts to collections and not to write off any accounts.

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 Operations Report, to authorize termination to delinquent accounts and to authorize ST to turn eight accounts over to collections in the aggregate amount of \$601.90

8. **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 "I," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Retail space on Atascocita Road (1.0827 acres): In April 2007, Brown & Gay advised the engineer that a request for a capacity commitment had not yet been received since Brown & Gay provided information in May and December 2006. To date, Brown & Gay has not received the request for capacity or construction plans for review.
- b. Atascocita Commons Phase III, IV and V: Brown & Gay and ST are awaiting receipt of revised construction plans for Phase III (Target) from RG Miller Engineers. The backflow prevention for the fire line requires additional detail.
- c. Atascocita Shores Personal Warehouse (formerly known as Premises Personal Warehouse) at 19940 Atascocita Shores Drive (south of SW corner of FM 1960 East): Nothing new to report.
- d. Residential/commercial construction at FM 1960 East & Atascocita Shores Drive: Nothing new to report.
- e. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new to report.

- f. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new to report.
- g. McDonald's reconstruction: Brown & Gay provided comments on the plans to the project's engineer after the last meeting. One of the requirements was documentation of the recorded water line easement for the proposed six-inch fire line. The engineer provided a copy of an easement that was granted by the property management company in 1985. Brown & Gay will review the metes & bounds of the area included in the easement to verify that the proposed easement lies within the 1985 easement area. If the existing easement covers the proposed easement area, the plans will be approved.
- h. Chateaux at Pinehurst Apartments: Brown & Gay has not received updated construction plans or a letter from the City of Houston or Harris County stating that the original signatures from 2003 are acceptable to those agencies.

Drainage Channel Maintenance:

Jesse H. Jones Park & Nature Center does not relocate or offer rehabilitation services for wildlife such as the beavers that have constructed a habitat in the drainage channel in the vicinity of Atascocita Shores Drive and Rebawood Drive. Brown & Gay was redirected back to an urban biologist with Texas Parks and Wildlife Department that will be providing information and assistance this week.

Director Hughes stated that he will coordinate with the District's engineer to resolve the matter.

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

The Notice to Proceed for the project was issued Monday, October 23, 2006. The revised contract amount, including the change order for the fence at Lift Station No. 1, was \$949,496.50. At the Board's request, Ms. Zapletal visited the sites on August 21, 2007 to witness the generators' operations. The check for Pay Estimate No. Eight & Final in the amount of \$89,172.90 can now be released to the contractor.

Atascocita Joint Operations Board Update:

Brown & Gay continues to maintain a compilation of ESFC for each district. The current compilation through August indicates an average daily flow of 4.3 mgd. Rainfall for the month totaled 8.00 inches. Pay Estimate No. 21 is currently being processed by Brown & Gay. The total payments through Pay Estimate No. 20 represent 94% of the revised total contract. Brown & Gay submitted the application to renew the TCEQ for the wastewater treatment plant on May 10, 2007. TCEQ completed their review of the declared the discharge permit application and issued a draft permit on August 23, 2007. Brown & Gay is awaiting receipt of the final publication package from the TCEQ. Brown & Gay has received a proposal from LEM for adding fuel tanks and pumps to add two additional days of diesel storage (four days total storage) at the wastewater treatment plant. The total estimated construction cost plus engineering fee is \$202,780.00. An additional 165 days will be required for fabrication and construction of these improvements.

Upon motion by Director Stine, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

9. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay has not received any requests for capacity commitment since the last Board meeting.

10. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that a site visit was held with contractors at Kings River Estates Section 4 on the morning of Tuesday, August 21, 2007. Ms. Zapletal reported that Brown & Gay has requested that the contractors provide requested cost estimates by Friday, September 28, 2007. Ms. Zapletal stated that Brown & Gay will forward these costs to Director House upon receipt.

11. **Discuss and take any action in connection with implementation of GIS System.** Ms. Zapletal reported that Brown & Gay presented the proposal for development of a geographic information system (GIS) of the District's utility lines to Directors House and Wilkinson on September 5, 2007 and will be scheduling a second presentation for the remaining directors and ST before the next Board meeting. Ms. Zapletal stated that a GIS would provide support for work order management, asset management, GASB 34 reporting, web hosting of the utility data, and map book generation for field operators to name a few benefits.

12. **Discuss and take any action in connection with sale of wastewater treatment plant capacity to Harris County MUD No. 494.** Mr. David A. Borengasser, an engineer with Montgomery & Associates, approached the Atascocita Joint Operations Board on behalf of Harris County MUD No. 494 ("No. 494") and its developer, WY Atlantis, with a request to obtain wastewater treatment capacity. Ms. Zapletal stated that the request is for approximately 420,000 gallons per day, or roughly 1,350 connections. Ms. Zapletal stated that Brown & Gay is currently reviewing the District's projections for wastewater treatment capacity at full build-out to determine if the District has excess capacity should the District be interested in selling a portion of its capacity to No. 494. Ms. Zapletal stated that because the District is not yet built out it is Brown & Gay's recommendation that the District be conservative at this time in the projections for future needs. Discussion ensued. It was the consensus of the Board to not sell wastewater treatment plant capacity at this time.

13. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department.** The Board reviewed an email from the Atascocita Volunteer Fire Department ("AVFD") requesting that the District place an item on its water bills, a copy of which is attached hereto as Exhibit "J." Discussion ensued. 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 authorize ST to place the item relating to open positions within the AVFD on the next water bills.

14. **Discuss and take any action in connection with letter from TCEQ regarding Landscape Irrigation Rules.** The Board reviewed the letter from the TCEQ regarding the

Landscape Irrigation Rules, a copy of which is attached hereto as Exhibit “K.” No action was taken.

15. **Discuss and take any action in connection with District communications.** The President recognized Ms. Wynn, who reported that the quarterly newsletter has been distributed.

Ms. Wynn presented to and reviewed with the Board samples of water bill inserts, a copy of which is attached hereto as Exhibit “L.” Ms. Wynn stated that Payne Communications can coordinate with the District’s operator to include various inserts with the monthly water bills. Ms. Wynn stated that it would cost the District \$700 annually for one insert per month per water bill. Upon motion by Director Wilkinson, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize payment of \$700 for water bill inserts.

16. **Discuss and take action to engage and appoint peace officer pursuant to Section 49.216 of Texas Water Code.** Director Hughes stated that he would like to be appointed as the District’s peace officer. Discussion ensued. Upon motion by Director House, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Ray Hughes as the District’s peace officer and to authorize Director Hughes to file an application for Agency Originating Number at a cost \$1,000.

17. **Approve audit for fiscal year ended May 31, 2007.** Ms. Gibson presented to and reviewed with the Board McCall, Gibson & Company, PLLC’s audit management letter and the draft of the audit for fiscal year ended May 31, 2007, a copy of which is attached hereto as Exhibits “M” and “N.”

Ms. Gibson then presented to the Board a letter from McCall, Gibson & Company, PLLC relating to and discussing the Statement on Auditing Standards No. 112, a copy of which is attached to Exhibit “O.” Extensive discussion ensued. 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 approve the audit for fiscal year ending May 31, 2007 and to accept McCall, Gibson & Company, PLLC’s audit management letter dated September 20, 2007.

18. **Discuss and take any action in connection with Statement on Auditing Standards No. 112.** There was no further discussion on this item.

19. **Status report and take any action in connection with collection of builder damages – Tri City Turnkey Services (Margaret Poissant).** Ms. Christensen stated that there was nothing new to report in connection with the builder damages.

20. **Other matters.** Ms. Cogburn reported that Mr. R(h)one has offered to settle the builder damages lawsuit (Tri City Turnkey Services) by paying the District \$200 per month for 12 months. 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 Mr. Rhone’s offer.

In response to a question from Mr. Holder, the Board indicated that they hope to be coordinating with the District's operator in the near future to allow for online payment of water bills.

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

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on October 18, 2007.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)