

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 23, 2008

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 Atascocita Country Club, 20114 Pinehurst, Humble, Texas, 77346, on October 23, 2008 at 6:00 p.m.; whereupon the roll was called of the directors, to-wit:

Ray Hughes, President
Tim Stine, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Jerrel Holder, Assistant Secretary

All members of the Board were present except Director Hughes. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Frieda Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Larry Jones of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal, Mr. John Dreahn and Mr. Jeff Mayhew of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; Ms. Debbie Gibson of McCall, Gibson & Company, PLLC, auditor for the District; Ms. Nikki Wynne of Payne Communications; Mr. Jack Henderson and Mr. Walter Smith, residents of the District; and Ms. Jana Cogburn of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

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 21, 2008, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of August 21, 2008, as presented.

2. **Receive comments from the public.** The Vice President recognized Mr. Henderson, who thanked the Board and its consultants for the continuing water service after Hurricane Ike.

3. **Discussion regarding FEMA reimbursement for Hurricane Ike expenses.** Ms. Zapletal reviewed with the Board FEMA policies and procedures. Ms. Zapletal stated that the District’s facilities did not experience significant damage from Hurricane Ike. Ms. Zapletal reported that she filed the initial application with FEMA for possible future reimbursement in

connection with Hurricane Ike. Discussion ensued regarding the joint wastewater treatment plant and the amount of diesel fuel utilized to keep the plant running on a generator until power was restored.

4. **Discuss and take action in connection with security contract with ADT and payment of same.** Extensive discussion ensued. It was the consensus of the Board to hold all payments to ADT until Director Holder has had a chance to follow-up with Mr. Mensik on the status of the installation and operation of the security equipment.

5. **Discuss and take action in connection with posting exhibits on the District website.** Discussion ensued. The Board agreed not to post exhibits to minutes on the District's website.

6. **Discuss and take action in connection with follow-up letter from Mr. Walter Smith.** It was noted that Mr. Smith had questions and concerns regarding the District's procedures in connection with driveway repairs and compacting. The Board informed him that the Board has requested input from the Board President and Mr. Mensik. It was the consensus of the Board to table such item until the next Board meeting.

7. **Approve audit for fiscal year ended May 31, 2008.** 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, 2008, a copy of which is attached hereto as Exhibit "B." The Board noted that the Atascocita wastewater treatment plant expansion has been completed and the draft audit should be corrected to reflect that it is complete. Upon motion by Director Haney, seconded by Director Holder, 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, 2008.

8. **Review Bookkeeper's Report and Investment Report.** The Vice President recognized Ms. Conley, who presented to and reviewed with the Board the Bookkeeper's Report for the period ending October 23, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "C." Director Stine stated that the report should reflect that the reserves have been increased. Upon motion by Director Haney, 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 the period ending October 23, 2008, to approve the Investment Report, and to authorize payment of check numbers 6244 through 6299 from the Operating Account and check number 5078 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

9. **Review Investment Policy and accept related party disclosures from Bookkeeper and Investment Officer.** Ms. Cogburn presented to the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "D." Ms. Cogburn stated that no changes are being recommended. Upon motion by Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Reviewing Investment Policy.

10. **Approve Arbitrage Calculation report in connection with Series 2003 Refunding Bonds.** Ms. Cogburn reviewed with the Board the Arbitrage Rebate Report for the District's Series 2003 Bonds, a copy of which is attached hereto as Exhibit "E." Ms. Cogburn noted that there was no final rebate payment due to the IRS with respect to the Series 2003 Bonds for this computation period.

11. **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 "F." 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 Haney, seconded by Director House, 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, subject revisions regarding the completion of the joint wastewater treatment plant expansion.

12. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Reports for the months of August and September 2008, copies of which are attached hereto as Exhibit "G." It was noted that 98.165% of the District's 2007 taxes had been collected as of September 30, 2008. Upon motion by Director Haney, seconded by Director Holder, 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 1323 through 1335 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

13. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The Vice President recognized Ms. Moran, who reviewed with the Board a cash flow analysis and recommendation for levying the 2008 tax rate, a copy of which is attached hereto as Exhibit "H." Ms. Moran stated that she is recommending that the District assess a debt service tax rate of \$0.24 per \$100 of assessed valuation. The Board reviewed the draft Order Designating Officer to Calculate and Publish Tax Rate for 2008, a copy of which is attached hereto as Exhibit "I." 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2008, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.335 for \$100 assessed valuation (\$0.24 for debt service and \$0.095 for operations and maintenance).

14. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Reports for August and September 2008, copies of which are attached hereto as Exhibit "J." Mr. Jones reported that 97.92% of the water pumped was billed for the month ending September 23, 2008.

Discussion ensued. The Board requested Mr. Jones to provide an explanation of the number of connections listed on ST's invoice.

Mr. Jones requested permission to turn three accounts over to collections and to write off one account.

Upon motion by Director Haney, seconded by Director Holder, 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 three accounts over to collections and to write off one account.

15. **Authorize engineer to advertise for bids for contract for replacement of concrete fence at Water Plant No. One.** Ms. Zapletal reported that Tolunay-Wong Engineers, Inc. (“TWEI”) provided a final report of the geotechnical findings on September 4, 2008. Ms. Zapletal noted that because the report will be included in the bidding documents, the advertisement for bids was delayed. Ms. Zapletal stated that due to the specialized nature of construction, TBG Partners recommends requiring bidders to complete a “Statement of Qualifications” and submit it with the bid. The bidder will be required to show they have completed similar projects with the same specified products in the Houston area within the last three years. Ms. Zapletal stated that Brown & Gay recommends that the construction not begin until after the December holiday season.

16. **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 “K,” and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Chateaux at Pinehurst Apartments: Brown & Gay has received confirmation from the City Houston that updated signatures are not required for the construction plans. Harris County has issued new permits based on the 2003 plans. Based on the City of Houston and Harris County approval for permitting and construction, Brown & Gay has approved the project. The developer will be required to provide Brown & Gay and ST video inspections of the existing sanitary sewer mains to confirm the condition of the original construction prior to connecting to the District’s sanitary sewer system. The approval letter and approved plans are being provided to ST tonight.
- b. Northeast Corner of Atascocita Road and Town Center Boulevard (Approximately 2.8 AC): Bury+Partners contacted Brown & Gay today to request utility and drainage plans for reference during preparation of construction drawings for a proposed bank at the intersection. Brown & Gay provided the plans and District submittal requirements to the engineer today.
- c. Rowland Interests: Bury+Partners is the project engineer for the development of this property as Atascocita Business Park. No plans have been received to date.
- d. Atascocita Lutheran Church: No plans have been received to date.

- e. Southwest corner of FM 1960 East & Atascocita Shores: In May 2008, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- f. Atascocita Shores Personal Warehouse: Nothing new.
- g. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- h. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- i. NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Sinkhole at 19627 Gamble Oaks: ST notified Brown & Gay that they were called out to a sinkhole near a electrical pole in this yard. Brown & Gay recommended that ST perform a television inspection of the sewer main. Brown & Gay investigated the history of the televising of this line and found the television inspection of this line segment was received in August 2006. Therefore, this line segment has not been previously rehabilitated and is not under a contractor's warranty. This line segment was originally earmarked to be included in the next phase of sanitary sewer rehabilitation. Brown & Gay and ST will coordinate on recommendations for any repairs necessary to eliminate the sinkhole hazard. The sewer main will remain outlined in the scope of work for the next phase of rehabilitation.

Atascocita Joint Operations Board:

The TCEQ issued the final discharge permit on August 19, 2008. This permit expires on December 1, 2012. As expected, the TCEQ has added bacteria monitoring to the permit. Brown & Gay continues to maintain a compilation of the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. The current compilation through September 2008 indicates an average daily flow of 4.62 mgd or 282 gpd per ESFC. Rainfall for the month was 7.5 inches.

The new mechanical bar screen at the lift station had not been working before because a piece of track fell off into the wetwell. The screen was repaired on October 8, 2008 and is now working properly. Brown & Gay was promised a summary report of what caused the problems and solutions employed to repair the screen. Severn Trent is continuing to keep Brown & Gay aware of any problems with the new WWTP equipment, and Brown & Gay is coordinating with the equipment representatives to make the adjustments and repairs. Work under warranty is being done by the equipment representatives at no charge and some items relating to the new blowers, controls and programming are being addressed by the contractor.

Hurricane Ike Issues:

Attached is the Hurricane Ike questionnaire that Brown & Gay provided, with assistance from ST, in response to legislative inquiries after Hurricane Ike. Brown & Gay also

submitted the FEMA Request for Public Assistance Forms for the relevant storm-related emergency declarations.

Drainage Channel Maintenance by Atascocita Golf Course:

Brown & Gay sent a field representative to investigate the existing HCFCU Unit No. G103-29-00 channel highlighted on the attached map. On March 18, 1985, the District executed a Maintenance Agreement for the channel requiring the Atascocita Country Club to maintain the channel at its cost. Brown & Gay will be issuing written notification to the Atascocita Country Club to honor its obligations to clean out and maintain the ditch.

17. **Acceptance of water line and fire hydrant easements in connection with Atascocita Commons Phase III.** Ms. Zapletal reported that Brown & Gay is awaiting receipt of the signed easements from Trammel Crow and Target.

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

19. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that TWEI has provided geotechnical investigation reports for the diversion swale project and the storm sewer improvements project in Kings River Estates, Section 4 (KRE4). Brown & Gay is continuing with preparation of the construction plans for the swale and internal KRE4 storm sewer design and will obtain agency approvals necessary to advertise for bids. As approved in August, the construction plans for the diversion swale will include installation of a locking gate at the termination of the swale and berm at Kings River Drive to restrict unauthorized motorized vehicles and pedestrians from entering the swale area. The legal description documents for the golf course and residents will be forwarded to Fulbright & Jaworski for easement drafting upon completion. Upon receipt of the bids, the KRE4 HOA will be required to deposit its share (30%) of the construction costs prior to award of the contract.

20. **Status update on implementation of GIS System.** Ms. Zapletal reported that the electronic GIS will be presented to the Board and ST tonight during executive session.

21. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that she is coordinating with Director Hughes regarding the newsletter, but has had some difficulty reaching him. It was the consensus of the Board that Ms. Wynn contact Director Haney regarding proposed articles for the newsletter if Director Hughes is unavailable. Ms. Wynn stated that she is working on a “post- Hurricane Ike” article.

22. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** There was no executive session at this time.

23. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** At 7:40 p.m., the Board convened in executive session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security matters.

The Board reconvened in open session at 8:20 p.m.

24. **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 20, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)