

MINUTES OF MEETING OF BOARD OF DIRECTORS  
May 15, 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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas on May 15, 2008 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. 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. 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. Nikki Wynn of Payne Communications; Mr. Jerrel E. Holder, a resident of the District; Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and members of the public. 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 April 17, 2008, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of April 17, 2008, as presented.

2. **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 Report and the delinquent tax attorney’s report for April 2008, a copy of which is attached hereto as Exhibit “C.” It was noted that 95.9% of the District’s 2007 taxes had been collected as of April 30, 2008. 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 Tax Assessor and Collector’s Report and to authorize payment of check numbers 1279 through 1287 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Ms. Keefe stated that the 2008 aerial photograph of the District has been provided to the District’s engineer.

3. **Receive comments from the public.** There were no comments from the public at this time.

4. **Discuss and take necessary action in connection with Directors Election, including adopting Order Canvassing Election.** The President reviewed with the Board the election results as recorded on the election tally sheet completed by the election judge. It was noted that Ray Hughes, Bobby Haney and Jerrel Holder were elected to the three positions.

Director Hughes thanked Director Wilkinson for her dedication and hard work for the many years that she has served the District. 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 adopt a Resolution Honoring Director Wilkinson.

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 adopt the Order Canvassing Directors Election, a copy of which is attached hereto as Exhibit "D."

Mr. Holder completed the necessary paperwork qualifying him to serve as a Director. Mr. Holder then executed his Oath of Office and Statement of Elected Officer.

5. **Accept Certificates of Election and Qualify Directors.** Certificates of Election were then presented for those candidates elected to the Board: Director Hughes, Director Haney and Director Holder. 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 accept the Certificates of Election for Director Hughes, Director Haney and Director Holder. The President then welcomed Director Holder to the Board.

6. **Election of Officers.** The President then called for the election of officers. Upon motion made by Director Haney, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Hughes as President, Director Stine as Vice President and Director Holder as Assistant Secretary with Directors Haney and House retaining their current positions.

7. **Engage Arbitrage Compliance Specialists for arbitrage rebate report in connection with Series 1993 Bonds.** The Board reviewed an engagement letter from Arbitrage Compliance Specialists, Inc. for arbitrage rebate computations in connection with the District's Series 1993 Refunding Bonds, a copy of which is attached hereto as Exhibit "E." 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 of the proposal from Arbitrage Compliance Specialists to perform the arbitrage rebate calculation.

8. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending May 15, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "F." 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 the period ending May 15, 2008, to approve the Investment Report, and to authorize payment of check numbers

6053 through 6070 from the Operating Account and check number 5049 from the Capital Projects Fund, all as listed in the Bookkeeper's Report.

Ms. Conley noted that Sterling Bank is assessing the District numerous monthly charges. 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 the District's bookkeeper to move the District's accounts from Sterling Bank to Texas State Bank.

9. **Adopt budget for fiscal year ending May 31, 2009.** Director Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2009, a copy of which is attached hereto as Exhibit "G." Discussion ensued. 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 adopt the budget for fiscal year ending May 31, 2009, as presented.

10. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Reports for April 2008, a copy of which is attached hereto as Exhibit "H." Mr. Mensik reported that 99.22% of the water pumped was billed for the month ending April 22, 2008.

Mr. Mensik presented to and reviewed with the Board the 2007 Consumer Confidence Report (the "CCR"), a copy of which is attached to the Operations Report.

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 Operations Report and to approve the CCR for distribution to District customers by July 1, 2008.

11. **Award contract for replacement of concrete fence at water plant no. one.** Ms. Zapletal reviewed with the Board the draft elevations for the proposed brick fence (to coordinate with the brick on the surrounding neighborhood) and the new entry gates, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that the conceptual cost estimate for the project is still in line with the previous estimates provided for budgeting purposes. Ms. Zapletal stated that Brown & Gay and TBG Partners will coordinate a field meeting with Director Stine in early June to review the plans and materials on the site and then Brown & Gay will advertise for bids in mid to late June.

Discussion ensued regarding the enclosed bulletin board for posting notices located at water plant no. one. It was the consensus of the Board that Brown & Gay include a new bulletin board in the bid documents.

12. **Authorize purchase price for sale of joint sewer trunk line capacity to Harris County MUD No. 494 (\$1.00 per gallon).** Ms. Christensen noted that the District must formerly authorize the purchase price for the sale of capacity in the sanitary sewer trunk selling such capacity to Harris County MUD No. 494 ("No. 494"). 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 and authorize the proposed sanitary sewer trunkline capacity purchase price (\$1.00 per gallon) in connection with the proposed sale of capacity to No. 494.

13. **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:

Ms. Zapletal reported that at its April meeting, the Atascocita Joint Operations Board agreed in concept to a purchase price for the sale of wastewater treatment plant capacity to No. 494 with a annual 3.5% escalator in the price as outlined in the letter dated March 7, 2008 from Julianne Kugle (attorney for No. 494). AJOB also agreed in concept to a purchase price of \$1.00 per gallon for the trunk sewer main costs to No. 494.

Construction Plan Review:

- a. Atascocita Center (1.0827 acres): Brown & Gay met with the owner, Mr. Habib Shabani, on April 28, 2008 and with the original engineer for the project, Mr. J. Francisco Carrillo, P.E., on April 30, 2008, to discuss the requirements for plan approval. Mr. Shabani was able to provide the new, corrected recorded water meter easement. Brown & Gay has confirmed that the contradictions in the construction drawings have been resolved as requested and approved by Harris County. The plan approval letter will be issued and Brown & Gay will provide ST with the approved plans.
- b. Atascocita Commons Phase IV Pad Site (Comerica Bank on 0.9058 AC): The revised construction plans have been approved contingent upon the recordation of the proposed water meter easement, which will be submitted to Harris County Clerk's Office after the waterline easements in Atascocita Commons are recorded. The waterline easements in Atascocita Commons are on the agenda for approval tonight.
- c. Atascocita Commons Phase III: Nothing new regarding Phase III construction. 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. The waterline easements are on the agenda for approval under Item 14.
- d. Chateaux at Pinehurst Apartments: Brown & Gay has received confirmation from the City Houston that updated signatures are not required for the construction plans. Brown & Gay is still awaiting confirmation from Harris County. 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.
- e. La Quinta Inn & Suites (2.837 AC on Atascocita Road east of Town Center Boulevard): As reported to Brown & Gay in March by the project's engineer, ICMC Group, Inc. is preparing utility construction plans for 61 guest rooms for potential submittal to Harris County and Brown & Gay in April or May. No plans have been received to date.

- f. 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.
- g. Atascocita Lutheran Church: No plans have been received to date.
- h. Northeast corner of Atascocita Road and Town Center Boulevard: Benchmark Engineering was provided utility and drainage plans for the area in the vicinity of the undeveloped tracts.
- i. Southwest corner of FM 1960 East & Atascocita Shores: Benchmark Engineering was provided utility and drainage plans for the area in the vicinity of the undeveloped tracts.
- j. Atascocita Shores Personal Warehouse: Nothing new.
- k. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- l. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- m. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Sinkhole at 8515 Pine Shores Drive: ST notified Brown & Gay that they were called out to a sinkhole near a manhole in the yard of 8515 Pine Shores Drive and that after investigation ST found positive dye results in the sewer main noting the existence of infiltration. Brown & Gay investigated the history of the televising of this line and found the television inspection of this line segment was received after the completion of Sanitary Sewer Rehabilitation Phase III. 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. This point repair will be completed by ST to eliminate the infiltration and the sinkhole hazard. The sewer main will remain outlined in the scope of work for the next phase of rehabilitation.

If the Board so desires, Brown & Gay can generate the specific scope of work and updated conceptual cost estimate for proposed sanitary sewer rehabilitation phase IV. Brown & Gay will not begin preparing the construction plans until authorized by the Board.

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 begin preparation of the construction plans for phase IV of the sanitary sewer rehabilitation.

Atascocita Joint Operations Board: Brown & Gay continues to maintain a compilation of ESFC for each district. However, the draft report is not yet available from the plant's engineer.

The application to renew the WWTP discharge permit is now under EPA review but has been delayed because the EPA and TCEQ are currently at odds due to a new testing requirement for bacteria monitoring favored by the EPA. Brown & Gay received a letter dated December 4, 2007 from the TCEQ stating that the current permit will remain in full force and will not expire until the TCEQ takes action on the renewal application and that there will be no penalties due to delays by the EPA.

14. **Approve water line easements in connection with Atascocita Commons Phase III.** Ms. Zapletal reviewed with the Board drafts of the three waterline easement documents, including metes and bounds descriptions and exhibits, copies of which are attached to the Engineer's Report. Ms. Zapletal noted that the waterline easements are in addition to those dedicated with the original recorded plats and will be granted in the name of the District. The easement documents provided by F&J are being signed by the owner and should be returned to Brown & Gay in advance of the next meeting. 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 accept the water line easements in connection with Atascocita Commons Phase III, pending final review by F&J and receipt of the executed easement documents.

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

16. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that Brown & Gay met with Harris County Engineering and obtained conceptual approval for the proposed Overland Sheet Flow Diversion Swale and Berm pending receipt of the detailed drainage calculations and construction plans. In an effort to expedite Harris County's additional approval prior to the submittal of construction plans for review and to keep the project fresh in the minds of the County review personnel, Brown & Gay has prepared the detailed drainage calculations and will be returning the calculations and a few exhibits to the County for consideration and discussion as the construction plans are being drafted. With approval of the concept by Harris County, the proposed diversion swale would be constructed behind the western lots and outfall to the existing dual 24-inch pipes and two proposed additional 36-inch pipes crossing Kings River Drive to accommodate the volume of sheetflow. Based on the Board's previous authorization and on the County's willingness to give conceptual approval of the design plan, Brown & Gay will begin easement coordination negotiations with the golf course and/or residents as necessary. The length of the berm has been extended along the south property line of Lot 9 for added protection from sheetflow from along the driveway for Lots 8 through 10.

Ms. Zapletal reported that two options for internal storm drainage for Kings River Estates Section 4 ("KRE4") have been preliminarily designed and estimates of costs prepared to provide piped storm water conveyance to the existing outfall ditch north of Kings River Drive. Brown & Gay confirmed the utility companies' line markings in April by means of field surveying. The markings show that the existing telephone, electric and gas lines were installed within the 10'

CenterPoint Utility Easement or at the far edges of the 14' Access Easement and Utility Easement. This will allow the storm sewer in either option A or B to be constructed close to Kings Crown Court, negating the need for additional easements from the property owners. Brown & Gay will still attempt to meet with CenterPoint regarding the conceptual design and permission to cross and/or encroach on their easement as necessary.

The original conceptual option (option A) presented to the Board last month utilized re-graded earthen swales with inlet grate tops (centrally located between driveways) along the alignment of the existing roadside ditches. This proposed design was extended to Lots 16 and 17 to extend the improvements to those lots as well.

Ms. Zapletal stated that option B for the conceptual storm sewer design utilizes concrete swales, gutters and curbing to direct the flow to Type H-2 concrete inlets as seen in other subdivisions in the District. A color schematic is attached to the Engineer's Report to help describe the cross-section of the proposed concrete swales/gutters that would be constructed immediately adjacent to the existing roadway. The proposed concrete curbing and gutters would be sloped in the direction of proposed concrete inlets between driveways. Geotechnical input is still required to finalize the dimensions of overall width of the gutters and of the depth of the thickened edge of concrete. The approximate width is two feet. The approximate depth of the thickened edge, including the 6-inch curbing, would range between 18 and 24 inches.

Ms. Zapletal reviewed with the Board a summary of the proposed total costs for the Overland Sheet Flow Diversion Swale and Berm along with the two options for storm sewer construction, a copy of which is attached to the Engineer's Report. The HOA met on May 13, 2008 to discuss the options for storm sewer construction, obtaining a 30% deposit for Kings River Estates, Section Four's contribution toward engineering and construction costs, and to discuss the requirement of a maintenance agreement. Director House stated that the HOA requires that at least 12 of the 17 homeowners within Kings River Estates, Section Four approve a special assessment to fund the owner's 30% contribution to the District in connection with the storm sewer improvements. It was noted that both the District and the HOA are interested in pursuing option B in connection with the storm sewer improvements. Director House noted that the HOA requests that the District obtain the bid prior to the HOA assessing its homeowners.

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 authorize Brown & Gay to proceed with preparing the bid documents for both option B and the overland sheet flow diversion swale and berm for Kings River Estates, Section Four, pending receipt of a deposit from the HOA in the amount of 30% of the projected engineering fees in connection with the storm sewer improvements for option B (\$19,677.57) and approval by the District's attorney.

**17. Discuss and take any action in connection with implementation of GIS System.** Ms. Zapletal reported that data entry continues to be the focus of work on the GIS and will be the most time-intensive part of the project. The field work for the GPS is 85% complete. Brown & Gay will return to survey the balance of facilities (mostly gate valves being raised by ST) that were not easily located in the first two phases of surveying.

18. **Review and take action in connection with Settlement Disbursement and Release of Attorney in connection with collections by Margaret Poissant (8118 Twelfth Fairway- Acct. # 132-0382-01).** Ms. Christensen presented to the Board the Settlement Disbursement and Release of Attorney in connection with the collection of funds for a delinquent account (8118 Twelfth Fairway), a copy of which is attached hereto as Exhibit "J." Ms. Christensen noted that the District 's portion of the collection on such account totaled \$158.94. 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 and authorize execution of the Settlement Disbursement and Release of Attorney in connection with 8118 Twelfth Fairway- Acct. # 132-0382-01.

Ms. Christensen noted that Ms. Poissant sent demand letters to numerous other delinquent water accounts and she is requesting any additional contact information in connection with three accounts, whose demand letters were returned as undeliverable. Mr. Mensik stated that ST previously provided Ms. Poissant with all the contact information that was on file. The Board requested that ST report to the Board how much is owed on each of the delinquent accounts for Keri Zonno, Ginger Jenkins, and Stephanie Pardo before deciding whether to write off such accounts.

19. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that the second quarterly newsletter was distributed last month.

Ms. Wynn reported that the District's website is averaging anywhere from 3,000 to 4,500 hits a month and 450 to 700 visits per month since June, 2007.

Ms. Wynn inquired if the Board is interested in having articles on water conservation posted on the District's website.

Discussion ensued. Director Stine requested that a statement be posted on the District's website regarding the District's ongoing absorption of the West Harris County Regional Water Authority surface water fees.

Ms. Wynn presented to the Board some informational flyers regarding water conservation policy and special garden projects, copies of which are attached hereto as Exhibit "K."

20. **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  
June 19, 2008.

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)