

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 15, 2009

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 January 15, 2009 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. 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. 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 of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Ms. Robin Griggs of Anco McDonald Waterworks, insurance broker for the District; Ms. Nikki Wynne of Payne Communications; and Ms. Jana Cogburn and Ms. Carla Christensen 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 November 20, 2008, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of November 20, 2008, as presented.
2. **Receive comments from the public.** There were no members of the public in attendance.
3. **Renew District Insurance (expires January 24, 2009), including indemnification of Directors.** Ms. Griggs presented to and reviewed with the Board the renewal insurance proposal submitted by Anco McDonald Waterworks, a copy of which is attached hereto as Exhibit “B.” Discussion ensued regarding the optional coverages – Law Enforcement Liability and Peace Officer’s Bond. 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 and authorize execution of the renewal insurance proposal with Anco McDonald Waterworks, including the optional coverage for law enforcement legal liability and peace officer's bond, and to approve the District's indemnification of Directors for costs on losses arising from litigation relating to Directors carrying out their lawful duty, to the extent that such costs or losses are not otherwise covered by insurance.

4. **Discuss and take action in connection with security contract with ADT and payment of same.** Ms. Cogburn reported that F&J prepared and sent a letter notifying ADT that the District will not pay any invoices received until ADT provides the services that are being billed to the District. Ms. Cogburn noted that ADT responded on December 22, 2008 and stated that ADT is investigating the matter. Mr. Mensik reported that he recently spoke with Mr. Wes Sandefer of ADT, who is determining why the security system is still not fully functional.

5. **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 January 15, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "C."

In response to a question from Director Holder, Ms. Conley stated that she will determine why the District was assessed late fees by Embarq.

Discussion ensued regarding four invoices received from Harris County Municipal Utility District No. 151 ("No. 151") in connection with the shared lift station no. four for the last four calendar years. Ms. Cogburn noted that the District has a contract with No. 151 for the shared lift station. Ms. Cogburn stated that she received a call from the bookkeeper for No. 151 this morning informing her that the District will also receive invoices from No. 151 for annual costs in connection with shared lift station no. three. Ms. Cogburn stated that she will contact and discuss such matter with the auditor for the District and No. 151. It was the consensus of the Board that it is appropriate to pay the costs in connection with shared lift station no. three and four, upon receipt of the invoices from No. 151 and verification that the amounts are correct and that F&J prepare and forward a letter to No. 151 reminding No. 151 that they are required to advise the District of any improvement costs associated with either of the shared lift stations.

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 Bookkeeper's Report for the period ending January 15, 2009, to approve the Investment Report, and to authorize payment of check numbers 6333 through 6387 from the Operating Account, all as listed in the Bookkeeper's Report.

6. **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 for the month of December 2008 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." It was noted that 53.1% of the District's 2008 taxes had been collected as of December 31, 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 1352 through 1363 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Reports for November and December 2008, copies of which are attached hereto as Exhibit "E." Mr. Mensik reported that 95.48% of the water pumped was billed for the month ending December 23, 2008.

Director Hughes entered the meeting at this time.

Mr. Mensik reported that there was a chlorine gas leak at the Rebawood water plant (water plant no. one) approximately 60 days ago. Mr. Mensik suggested that the Board consider alternatives to a chlorine gas disinfection system. Mr. Mensik noted that installation and maintenance of a bleach system is more expensive than a chlorine gas system. It was the consensus of the Board that the engineer and operator coordinate and present the Board with a summary of alternatives to a chlorine gas system, including costs, at 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 approve the Operations Report and to authorize termination of service to delinquent accounts.

8. **Approve and authorize execution of revised schedule of equipment rates in connection with Operations Contract with ST.** Mr. Mensik stated that ST is withdrawing its request for an increase in equipment rates at this time.

9. **Award contract for replacement of concrete fences at water plant no. one (Rebawood) and water plant no. two (W. Lake Houston Parkway).** Ms. Zapletal reported that bids were received on December 18, 2008. Ms. Zapletal stated that Brown & Gay tabulated the bids and verified that T&C Construction, Ltd. submitted the lowest total bid in the amount of \$215,000.00. A copy of the bid tabulation and Recommendation of Award is attached to the Engineer's report. Upon motion by Director Holder, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for the replacement of the concrete fences at both water plant no. one and water plant no. two to the low bidder, T&C Construction, Ltd.

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 "F," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Chateaux at Pinehurst Apartments: Brown & Gay approved the plans in October 2008. The developer is 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. Brown & Gay has not yet received records of a video inspection.

- b. NE Corner of Atascocita Road & Town Center Boulevard (Bank to be constructed on 1.853 AC): Brown & Gay provided Bury+Partners the plans and District submittal requirements in October 2008.
- 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.

Atascocita Joint Operations Board (Report from December 15th):

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 November 2008 indicates an average daily flow of 4.62 mgd, or 284 gpd per ESFC. Rainfall for the month was 10.3 inches.

The warranty for the new plant equipment expires on March 1, 2009, one year from the date that TCEQ approved the work. Severn Trent is keeping Brown & Gay aware of any problems with the new plant equipment installed by LEM Construction (LEM). Brown & Gay is working with the equipment representatives to make the adjustments and repairs. ST provided a list of items to address, which was forwarded to LEM. Brown & Gay is working closely with ST and LEM to get all warranty issues resolved before the warranty expires.

Hurricane Ike Issues:

Attached is a copy of Brown & Gay's "Lessons Learned from Hurricane Ike" presentation held on December 2, 2008. Ms. Zapletal stated that Brown & Gay will be happy to answer any questions now or in the future.

Drainage Channel Maintenance by Atascocita Golf Course:

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. The country club representatives believe that Harris County Commissioner Jerry Eversole agreed to

maintain the channel. Brown & Gay has contacted the General Manager to confirm such contract subsequent to the 1985 Agreement.

11. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay received a capacity commitment request from Bury+Partners and recommends the Board's authorization. Bury+Partners requests approval of a capacity commitment to serve 8,000 square feet of office space (2.68 ESFC) for a proposed credit union on 1.853 acres at the northeast corner of Atascocita Road and Town Center Boulevard. The anticipated utility demand is 1,126 gallons per day of water supply and 858 gallons per day of dry weather flow and wastewater treatment capacity. The dry weather flow and wastewater treatment capacity component was modified by Brown & Gay to be based on AJOB's approved design rating of 320 gpd versus 315 gpd requested by Bury+Partners. 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 approve and authorize execution of a capacity commitment letter for the proposed credit union.

12. **Authorize engineer to prepare plans and specifications for the next phase of the sanitary sewer rehabilitation.** Ms. Zapletal reported that Brown & Gay's June 2008 conceptual estimate of total remaining rehabilitation needs for the District ranged between \$1,900,000 and \$2,100,000 and suggested that this total remaining scope of work be divided into two phases of construction. Because of recent sewer complaints in the Pines of Atascocita subdivision, Ms. Zapletal stated that Brown & Gay recommends that all of the remaining work in those sections be completed under the scope of the new project and requests the Board's authorization to begin preparation of the scope of work, construction plans and specifications for Sanitary Sewer Rehabilitation, Phase IV. Director Stine noted that the District currently has \$125,000 budgeted for sanitary sewer rehabilitation (budget for fiscal year ending May 31, 2009). Discussion ensued regarding the financing of the rehabilitation. It was the consensus of the Board to budget \$1,250,000 for sanitary sewer rehabilitation in both the 2010 and 2011 budgets.

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 authorize the engineer to prepare plans and specifications for the phase IV of the sanitary sewer rehabilitation.

13. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4").** Ms. Zapletal reported that construction plans are pending review by Harris County and that upon receipt of comments from Harris County, Brown & Gay will begin advertising for bids based on revisions requested by the County (if any). She noted that Brown & Gay expects to receive comments and begin advertising in time to open and present bids at the February meeting.

Discussion ensued regarding how to proceed should the plans not be returned from Harris County before January 28, 2009. It was the consensus of the Board to not advertise for bids for the construction of the swale and internal KRE4 storm sewer until Harris County plan approval has been received.

Ms. Zapletal noted that for construction plan signature approvals, Brown & Gay will be required to provide Harris County copies of the HOA's signed maintenance certificate and of the executed Maintenance Contract for the internal storm improvements.

Ms. Zapletal noted that the District's executed maintenance certificate for the diversion swale and berm was provided with the preliminary plan review submittal.

14. **Status update on implementation of GIS System.** Ms. Zapletal reported that Brown & Gay will maintain the GIS on a continual basis.

15. **Authorize preparation of Maintenance Contract with Homeowner's Association ("HOA") for internal storm sewer improvements in KRE4.** Ms. Cogburn reported that she will coordinate with the District's engineer to prepare the Maintenance Contract in connection with the internal storm sewer improvements to serve KRE4.

16. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that the quarterly newsletter was distributed and she is currently working on the outline for the next newsletter. Discussion ensued regarding storm sewer pollution. It was the consensus of the Board that the next newsletter contain an article about storm sewer pollution and associated penalties. The Board asked Ms. Cogburn to determine how the District can enforce the penalties/fines associated with storm sewer pollution.

Ms. Cogburn reported that she received a call from the Country Club's attorney. Ms. Cogburn stated that the Country Club will be drafting a license agreement to allow the District to make the necessary repairs to the old Tamarron lift station site to restore the site to its condition previous to the construction of the temporary lift station. Ms. Cogburn noted that she also discussed the matter of the maintenance of the drainage ditch located north of Rebawood Drive in Pinehurst of Atascocita, Section Seven near the No. 16 green of the Atascocita Country Club. Ms. Cogburn stated that she explained to the Country Club's attorney that the District will not maintain the golf course amenities (i.e. water hazards) as part of the drainage ditch maintenance agreement.

17. **Discuss and take necessary action in connection with West Harris County Regional Water Authority (the "Authority") regarding optional capital advance and reimbursement procedure.** Ms. Cogburn stated that the Authority is offering the District the option to make a Capital Contribution to the Authority in lieu of issuing bonds. No action was taken.

18. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** The Board did not convene in executive session at this time.

19. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** The Board did not convene in executive session at this time.

20. **Other matters.** Director Holder stated that he attended a presentation given by Brown & Gay regarding "Lessons Learned" from Hurricane Ike. It was the consensus of the

Board that Director Holder prepare a draft agenda for a special meeting to be held to further discuss issues relating to hurricane preparedness.

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 February 19, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)