

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 16, 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 July 16, 2009 at 6:00 p.m.; whereupon the roll was called of the Board, 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. Freida 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. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and numerous members of the public. 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 “B”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of June 25, 2009, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of June 25, 2009, as presented.
2. **Receive comments from the public.** There were no comments from the public at this time.
3. **Discuss and take necessary action regarding the Atascocita Country Club and golf course property.** Director Stine reported that the District has not received any requests from the new owners of the Atascocita Country Club.

Director House noted that the District has an agreement with Atascocita Country Club dated July 29, 1975 to provide utility service. Director House stated that, in accordance with the agreement, the Atascocita Country Club purchases water and sanitary sewer services from the District to serve the Country Club. Ms. Cogburn noted that the term of the agreement was 20

years, with a provision that automatically renews every year until terminated by either party 90 days prior to the end of the one-year term.

In response to a question from a resident, Director Stine noted that is premature to discuss the District's options regarding the possibility of the District acquiring the new country club property.

4. **Discuss and take action in connection with security contract with ADT and payment of same.** Mr. Mensik reported that all the security cameras have been installed at the District's facilities. Mr. Mensik reported that ADT has already uploaded the necessary security software to ST's computer system and has provided training on the new security system to ST personnel. In response to a question from Mr. Mensik, the Board members stated that they do not want the new security software downloaded on their computers.

Discussion ensued regarding payment to ADT. In response to a question, Mr. Mensik stated that he will determine the date that the security system was completed and provide such date to the District's bookkeeper and attorney. 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 payment to ADT for the installation costs in connection with the new security system. It was the consensus of the Board to authorize payment of monthly security service fees (as of the date of completion) at the next Board meeting and that F&J prepare and forward a letter to ADT requesting that ADT remove all monthly billing charges prior to the completion date and provide a revised invoice and to reimburse the District for all of the District's operator's "response to alarm" calls prior to completion of the security equipment.

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 July 15, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending July 15, 2009, to approve the Investment Report, and to authorize payment of check numbers 6520 through 6581 from the Operating Account and check number 5088 from the Capital Project Account, all as listed in the Bookkeeper's Report.

6. **Discuss and take necessary action in connection with current electricity rates and electricity contract with Suez.** Director Haney reported that the District's current contract with Suez does not expire until the end of September 2009. Director Haney stated that he will continue to investigate the District's options in connection with entering into a new electricity contract.

7. **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 June 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 97.7% of the District's 2008 taxes had been collected as of June 30, 2009. 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 Tax Assessor and Collector's Report, to authorize payment of check numbers 1429 through 1442

from the Tax Account to the persons, in the amounts, and for the purposes listed therein, and to authorize the Tax Assessor and Collector to move three accounts to the uncollectible tax roll.

Mr. Keefe presented to and reviewed with the Board a letter from a resident (Account #116-055-000-0021) requesting a refund of the penalties and interest paid relating to 2007 taxes, a copy of such request is attached to the Tax Assessor and Collector’s Report. Mr. Keefe reported that HCAD entered an incorrect billing address for such account. 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 a refund in the amount of \$852.72 for the penalty and interest paid in connection with the payment of the 2007 taxes for such account.

8. Operations Report and Billing and Collections Report. Mr. Mensik presented to and reviewed with the Board the Operations Report for June 2009, a copy of which is attached hereto as Exhibit “E.” Mr. Mensik reported that the report reflects that 107.22% of the water pumped was billed for the month ending June 19, 2009, but that ST erroneously billed a customer for usage of 8,000,000 gallons of water. Mr. Mensik stated that the meter at such residence has been replaced and 97% of the water pumped was billed for the period.

In response to a question, Mr. Mensik stated that the District is experiencing mild drought conditions and recommended the implementation of voluntary water conservation within the District. Mr. Mensik stated that ST will post five signs throughout the District regarding the implementation of voluntary water conservation.

Mr. Mensik stated that the West Harris County Regional Water Authority (“WHCRWA”) sent a letter to ST informing them that the WHCRWA will now be applying for the Harris Galveston Coastal Subsidence District permits on behalf of the District.

Upon motion by Director Holder, 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.

9. 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:

Use of Surplus Capital Projects Funds:

The following table summarizes the *non-audited* actual costs versus the estimated costs included in the notification letter sent to the TCEQ for use of \$519,925 surplus capital projects funds for various repairs pursuant to 30 T.A.C. §293.83(c)(3)(A) and (B). The District’s auditor will include notes in the annual financial reports for fiscal years in which these funds are distributed.

Project Name	Original Estimated Surplus Funds	FYE 2009 Surplus Funds Used As of 05/21/09	FYE 2010 Surplus Funds Used As of 06/25/09	Total Actual Project Expenses
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Atascocita Point Drive SS repair - Construction costs incurred by ST	\$70,000	\$34,115.26	\$62,333.88	\$96,449.14
Water Plant Disinfection modifications - Engineering and construction costs	\$37,443	\$9,075.93	\$6,828.24	\$15,904.17
Water Plant Fence Replacement Project - Construction costs	\$215,000	\$	\$	\$
Sanitary Sewer Rehabilitation, Phase IV - Construction costs (as available)	\$ 197,482	\$	\$	\$
TOTALS	\$ 519,925	\$ 43,191.19	\$ 69,162.12	\$ 112,353.31

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 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-Atascocita Business Park/Sports Complex (19505 West lake Houston Parkway): The preliminary construction plans submitted by H2B, Inc. have been reviewed. Financing has been secured and he hopes to commence construction before mid-July 2009.
- d. Atascocita Lutheran Church: No plans have been received to date.
- e. Southwest corner of FM 1960 East & Atascocita Shores: Nothing new.
- 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.

Water Plants No. 1 and 2 Fence Replacements and Landscape Improvements:

Eleven submittals have been reviewed and approved to date. Construction at Water Plant No. 2 on West Lake Houston Parkway is approximately 95% complete. The contractor is waiting for gate materials. Fencing replacement is approximately 50% complete at Water Plant No. 1 on Rebawood Drive.

Pay Estimate No. 1 from T&C Construction. Ltd. in the amount of \$74,698.20 has been reviewed and is approved for payment. This invoice includes payment for partial completion of demolition and fencing at Water Plant No. 2, for completion of temporary fencing and change order work at Water Plant No. 2, and for the contractor's performance and payment bonds. Funds totaling ten percent of the completed work to date (\$8,299.80) remain on retainage.

Water Plants No. 1 and 2 Disinfection System Improvements:

The construction plans have been signed by the City of Houston. Harris County signatures are still pending but Brown & Gay expects to receive them this week. Per the attached June 26, 2009 letter from the TCEQ, the project is conditionally approved for construction. Brown & Gay is responding to the TCEQ's approval letter to address comment no. one and correct the statement regarding the District's emergency water interconnections. Brown & Gay is still awaiting the TCEQ approval of the disinfection conversion (a separate approval letter will be issued). The District's Operator will be provided fully-approved construction plans and the TCEQ approvals by Brown & Gay as documentation of approval to install the improvements as previously approved by the District.

As part of the required communication with the TCEQ, Brown & Gay must notify the TCEQ when construction commences and must certify that the work is completed as approved in the plans. Brown & Gay will continue to communicate with ST throughout the project to satisfy these conditions.

Atascocita Joint Operations Board (Final Engineering Report from June 23, 2009):

Nothing new. AJOB is waiting for instructions from the TCEQ on how and when to make the required payment to the Gulf Coast Waste Disposal Authority's "River, Lakes, Bays 'N Bayous Trash Bash."

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 Engineer's Report and to approve Pay Estimate No. One in the amount of \$74,698.20 to T&C Construction. Ltd. in connection with the fence replacement and landscaping improvements at water plant no. one and water plant no. two and authorize payment of same.

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

Ms. Zapletal reported that F&J and Brown & Gay met with the new golf course owners and informed them of the requirements for separating the capacity commitments to the club house and the pool/tennis center. To date, Brown & Gay has not yet received a request detailing the division of capacity.

Ms. Zapletal reviewed with the Board a summary of the District capacity allocation:

WWTP ESFC Not Committed	Water ESFC Not Committed	Undeveloped Acreage
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580	360	44 Acres
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Ms. Zapletal reported that the limiting factor is the remaining hydro-pneumatic tank (“HPT”) capacity, which is rated at 17.4 gallons per connection (rather than 20 gallons per connection) as part of the TCEQ’s approved variance from the elevated storage requirement. Brown & Gay previously estimated that in late 2009 the Board should start discussing the necessary water supply system improvements (HPT, ground storage, and booster pumps). Ms. Zapletal noted that bond funds totaling \$1,117,600 remain escrowed for construction of such improvements and \$192,992 is available for engineering in connection with the improvements.

11. **Award contract for the next phase of the sanitary sewer rehabilitation.** Ms. Zapletal reported that portions of the following areas are included for rehabilitation under the scope of this project:

- Atascocita Shores, Sections 1-5
- Atascocita Villas
- Estates of Pinehurst
- Golf Villas
- Pinehurst of Atascocita, Sections 1-4, 7, 11
- Pines of Atascocita, Sections 1 and 2
- Atascocita Town Center, Sections 1 and 2
- Pinehurst of Atascocita/Atascocita Shores (trunk mains)
- Miscellaneous point repairs

Brown & Gay estimates the following updated schedule for the project:

- Authorization to advertise received on March 19, 2009 and added amended scope on April 16, 2009
- All sets of plans have been submitted to Harris County for review
- Harris County comments have been received on all plans
- Comments have been addressed on all sets of plans
- Submitting intermittently for Harris County signatures on all plans by July 24, 2009
- Estimated Notice to Proceed to contractor before the middle of August 2009

The bonds and insurance provided by Insituform Technologies, Inc. have been reviewed and approved by F&J. The contracts are provided today for the Board’s signature. The Agreement will not be dated or become effective until signatures have been received on all sets of construction plans.

The preconstruction meeting will be conducted on July 23, 2009 at 10:00 am. The Notice to Proceed will not be issued until the Agreement becomes effective and signatures have been received on all sets of construction plans.

Tolunay-Wong Engineers, Inc. (TWEI) provided the attached Proposal No. P09-C133 for construction material testing services in an estimated amount of \$17,078.00. Fees will be invoiced based on actual expenses incurred during construction.

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 execution of the contract with the low bidder, Insituform Technologies, Inc, for phase IV of the sanitary sewer rehabilitation, and to approve Proposal No. P09-C133 with Tolunay Wong Engineers, Inc. in the amount of \$17,078 for construction material testing services.

12. Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 (“KRE4”), including award contract for construction of improvements.

Diversion Swale and Berm for Kings River Estates, Section Four:

- a. C.E. Barker, Ltd submitted the low bid of \$249,678.57 on April 2, 2009. The contracts have been signed by the Board but are still pending final receipt of Harris County signatures on the plans. The reviewer for Harris County Flood Control District (“HCFC”) returned the mylars again recently with requests for additional information. Brown & Gay has returned another letter to HCFC on July 16, 2009 and is awaiting signature approval on the plans.

Brown & Gay and Directors Haney and House met with Mr. Hammond and Mr. Stunja with Pinehurst Trail Holdings, LLC, on July 6, 2009 to review the project alignment, to discuss an alternative box culvert intake structure to minimize impact to the tee box (and Brown & Gay suggested vertical bars on pipe), to provide a simple lake overflow with an aesthetic rock treatment versus plain concrete, and to confirm desires by all parties to minimize tree removal. The attached layout and overflow detail have been reviewed and approved preliminarily by all parties.

For the realigned project, easements will be revised. The construction plans will be revised to reflect the agreed-upon facilities. Brown & Gay will work with the contractor to provide a breakdown of the costs for non-bid items and will confirm use of bid prices for the extended box culvert.

The required Small Construction Site Notice (“SCSN”) and Storm Water Pollution Prevention Plan (“SWPPP”) documents will be finalized once the construction dates are known. As also required, copies will be provided to Harris County, which is the Municipal Separate Storm Sewer System (“MS4”) operator and is responsible to the TCEQ for the storm water management program.

- b. Drainage Improvements (internal improvements) for Kings River Estates, Section Four:
C.E. Barker, Ltd submitted the low bid of \$337,586.70 on April 7, 2009. Notice to Proceed was issued for June 15, 2009. The required SCSN and SWPPP documents have been provided to the MS4 Operator, Harris County.

Change Order No. One in the net amount of \$1.52 (addition of \$20,470.56 and deletions of \$20,469.04) is proposed to resolve conflicts with the storm sewer by boring new sanitary sewer leads. As authorized in June 2009, Directors Haney and House provided

preliminary review and approval of the attached change order. Brown & Gay requests the Board's formal authorization and signature of Change Order No. One.

Pay Estimate No. 1 from C.E. Barker in the amount of \$125,294.90 has been reviewed and is approved for payment. Funds totaling ten percent of the completed work to date (\$19,888.08) remain on retainage.

C.E. Barker is installing the concrete curbing and swales to the new inlets. Adjustments to some of the manholes will be completed prior to the completion of the project. The Embarq telephone line was relocated in two locations to accommodate construction. Embarq estimates the work to cost no more than \$750.00 per relocation. One location of damage by the contractor was due to marking mistakes by Embarq. Repairs will not be back-charged to the contractor or the District.

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 Change Order No. One in the net amount of \$1.52 and authorize payment of Pay Estimate No. One in the amount of \$178,982.71 (\$125,294.90 is District's share and \$53,697.81 is KRE4's share) in connection with the drainage improvements (internal) to serve Kings River Estates, Section Four.

13. **Discuss and take action in connection with request from Atascocita Country Club regarding termination of Amended and Restated Agreement for Maintenance of Drainage Ditch.** Ms. Cogburn reported that she and Ms. Zapletal previously met with the new owners of the Country Club and the Country Club seemed agreeable to having the District maintaining the ditch. This item was tabled.

14. **Discuss and take any action in connection with District communications.** Ms. Christensen reported that Ms. Wynn is coordinating with the Board regarding the third quarterly newsletter. It was noted that the District's operator provided information to Ms. Wynn regarding the Drought Contingency Plan for an article to be posted on the District's website.

It was the consensus of the Board that Ms. Wynn include an article in the next newsletter informing residents about the email blast option and how to sign up.

15. **Approve and authorize execution of an Interlocal Agreement with Harris Galveston Coastal Subsidence District for Waterwise Program.** The Board reviewed a proposed Interlocal Contract, a copy of which is attached hereto as Exhibit "G." 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 and authorize execution of an Interlocal Agreement with Harris Galveston Coastal Subsidence District for the Waterwise Program.

In response to a question, Ms. Christensen stated that she will contact Ms. Brown with the Subsidence District to determine why the enrollment in the Waterwise Program has decreased for the upcoming school year.

16. **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.

17. **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.

18. **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
August 20, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)