

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 25, 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 **special** session, open to the public, at the Atascocita Country Club, 20114 Pinehurst, Humble, Texas, 77346, on June 25, 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. Larry Jones 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. Nikki Wynn of Payne Communications; 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 May 21, 2009, 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 May 21, 2009, as presented.

2. **Receive comments from the public.** The Vice President recognized Ms. Berry, who informed the Board that Commissioner Eversole’s office is agreeable to meeting with the District to discuss feasible options regarding future uses of the golf course property.

The Vice President recognized Ms. Rose, who inquired about the District’s plans now that the Atascocita Country Club has new owners. The Board stated that they will discuss such matter at the next Board meeting.

The Vice President recognized Mr. Proctor, who inquired about the District anticipates converting to surface water. Ms. Cogburn explained that the Harris Galveston Coastal Subsidence District has mandated that certain areas be converted to surface water by 2030. Ms.

Cogburn stated that the District is part of the Groundwater Reduction Plan of the West Harris County Regional Water Authority and conversion to surface water for the District is not planned in the near future for the District. In response to a question, Ms. Cogburn stated that the Atascocita Country Club's potable water and sanitary sewer service is provided by the District.

3. **Discuss and take action in connection with security contract with ADT and payment of same.** Mr. Jones reported that all the security cameras have been installed at the District's facilities. Mr. Jones stated that ADT is ready to provide training on the new security system at the District's facilities. Mr. Jones stated that he will coordinate with Directors Holder and Hughes to schedule the training.

4. **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 June 25, 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 June 25, 2009, to approve the Investment Report, and to authorize payment of check numbers 6500 through 6519 from the Operating Account and check numbers 5086 and 5087 from the Capital Project Account, all as listed in the Bookkeeper's Report.

5. **Approve and authorize execution of Addendum to Bookkeeper's Contract.** The Board reviewed the Addendum to Contract for Bookkeeping Services, a copy of which is attached hereto as Exhibit "D." Ms. Conley noted that the Addendum authorizes a monthly fee of \$100 for the investment of District funds. 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 the Addendum to the Bookkeeper's Contract.

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 May 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 96.6% of the District's 2008 taxes had been collected as of May 31, 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 1417 through 1428 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 two letters from residents (Account 0401-010-0090 and Account 0100-000-0048) requesting an installment plan for payment of delinquent 2008 taxes, copies of such requests are attached to the Tax Assessor and Collector's Report. 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 payment of the 2008 taxes in six monthly installments for both accounts.

7. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for May 2009, a copy of which is attached

hereto as Exhibit “F.” Mr. Jones reported that 96.84% of the water pumped was billed for the month ending May 21, 2009.

In response to a question, Mr. Jones stated that the District is very close to triggering stage one of the District’s Drought Contingency Plan. Mr. Jones stated that he will check to make sure that there are signs to be posted if the District implements the Drought Contingency Plan.

Mr. Jones reviewed with the Board a letter from a resident informing the Board that she was the victim of bank fraud which caused a recent check to the District to be returned.

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 Operations Report and to authorize termination of service to delinquent accounts.

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

Use of Surplus Capital Projects Funds:

The attached letter was provided to assist the District’s bookkeeper and auditor with the \$96,449.14 General Operating Account reimbursement with surplus capital projects funds for the District Operator’s costs in connection with the Atascocita Point Drive sanitary sewer repair.

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
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. Fencing and grading of the additional Water Plant No. 2 land (approximately 0.17 acres) is underway. Brown & Gay has not yet received a pay request from T&C Construction but expects to present the first pay request in July 2009.

Water Plants No. 1 and 2 Disinfection System Improvements:

The construction plans have been submittal to the TCEQ, the City of Houston, and Harris County for review and approval. The plans will be returned to the City of Houston and Harris County for signatures beginning next week. Brown & Gay is awaiting TCEQ approval of the disinfection conversion and the construction plans. The District's Operator can install the improvements after all agency approvals are received.

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

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 May 2009 indicates an average daily flow of 4.45 mgd or 276 gpd/connection. There was no recorded rainfall in May.

Brown & Gay issued a letter to LEM Construction on May 5, 2009 to inform LEM that its contractual obligation to a one-year correction period had been fulfilled. ST has not informed Brown & Gay of any current issues or problems at this time. The belt press which was previously out of service is currently running.

The TCEQ provided an alternative for addressing the October 2008 chlorine violation. Rather than pay the \$10,000 penalty to the TCEQ, AJOB approved the option to contribute to a Supplemental Environmental Project (SEP) that directs money toward projects that improve the environment. The TCEQ informed AJOB that because the violation was a water quality issue, the legal department requires that the SEP project be a water quality project. Therefore, the SEP chosen by AJOB is the Gulf Coast Waste Disposal Authority's "River, Lakes, Bays 'N Bayous Trash Bash." AJOB is waiting for instructions from the TCEQ on how and when to make the required payment.

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.

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

Ms. Zapletal noted that she and Ms. Cogburn met with the new golf course owners regarding the club house and the pool/tennis center. To date, Brown & Gay has not yet received a request detailing the division of capacity. Brown & Gay is preparing an estimate of hourly engineering fees that could be necessary for review of the capacity requirements for the golf course should a change in land use be proposed.

10. **Award contract for the next phase of the sanitary sewer rehabilitation.** Ms. Zapletal reported that Brown & Gay has compiled the expanded scope of work to complete the sanitary sewer rehabilitation. 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 have been submitted to Harris County for review
- Harris County comments have been received on all plans
- Comments have been addressed on all but three sets of plans
- Submitting intermittently for Harris County signatures on all plans by the middle of July 2009
- Estimated Notice to Proceed to contractor by the middle of August 2009

On June 24th, Brown & Gay received three bid proposals for phase IV of the sanitary sewer rehabilitation. Insituform Technologies, Inc. submitted the lowest total bid of \$1,923,842.00. A copy of the bid tabulation is attached to the Engineer's Report. The contractor has successfully completed numerous similar projects for developments in Houston and the surrounding areas. Based on the bid submitted, it is recommended that Insituform Technologies, Inc. be authorized to perform this work for the proposed amount of \$1,923,842.00, contingent upon receiving all approved plans and verification of the contractor's bonds and insurance coverage.

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 award the contract for phase IV of the sanitary sewer rehabilitation to the low bidder, Insituform Technologies, Inc., in the amount of \$1,923,842.

11. 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 submitted the lowest total bid of \$249,678.57 on April 2, 2009. The contracts have been routed for signatures by the Board but are still pending final award and distribution until receipt of Harris County signatures on the plans. The reviewer for Harris County Flood Control District ("HCFCD") returned the mylars again recently without signatures with a request for additional information related to the extended drainage area served by the extreme event swale and berm. Brown & Gay returned a new letter to HCFCD on June 24, 2009 and is awaiting signature approval on the plans.

Brown & Gay met with the new golf course owners, Pinehurst Trail Holdings, LLC, on June 10, 2009 to answer questions regarding the project. Pinehurst Trail Holdings, LLC requested that (1) the alignment be revised to equalize the easements requested from the golf course and the residents in Kings River Estates, Section 4, (2) the box culvert intake structure be revised to be more aesthetically pleasing, (3) the bottom of the swale be lined with concrete so it can be more easily maintained, and (4) a hard-edge be constructed at the confluence with the existing amenity lake. Brown & Gay recently completed a drainage project in Harris County Municipal Utility District No. 153 on Hikers Trail Drive near Cross Country Drive, which utilized decorative rock imbedded into the slope

pavement to construct a more aesthetically pleasing product. A similar application can be utilized on the slope pavement on the intake size of the box culvert. Brown & Gay requests the Board's feedback on the requested modifications and recommends holding a meeting between one or two directors and the golf course at Brown & Gay's office. Ms. Zapletal noted that the Country Club's previous owner verbally agreed to the current plans. It was the consensus of the Board that Directors Haney and House and Ms. Zapletal meet with the new owners of the Country Club to further discuss the plans for the swale and berm.

The required Small Construction Site Notice 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 submitted the lowest total bid of \$337,586.70 on April 7, 2009. The contracts have been routed for signatures by the Board and the Agreement dated May 21, 2009. Construction plans have been approved by Harris County.

The preconstruction meeting was held on June 10, 2009 and Notice to Proceed was issued on June 15, 2009. The required Small Construction Site Notice and SWPPP documents have been finalized and a copy provided to the MS4 Operator, Harris County.

A number of conflicts with the existing sanitary sewer leads on both sides of the street have been uncovered. Brown & Gay is working on proposed alternatives to present at the meeting.

12. 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 met with the new owners of the Country Club and the Country Club seemed agreeable to having the District maintaining the ditch. Discussion ensued.

13. Discuss and take any action in connection with District communications. Ms. Wynn reported that the quarterly newsletter was distributed on June 1, 2009 and she is working on the next quarterly newsletter and associated articles. Discussion ensued. It was the consensus of the Board that the website "email blasts" be used only for important alerts to District residents.

Ms. Wynn inquired if the Board would like to provide water conservation inserts in the monthly water bills for \$0.35 per household per month. 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 Payne Communications to include water conservation inserts in the monthly water bills.

The Board raised the following questions regarding the Atascocita County Club matter and requested that the District's attorney and engineer address such questions at the next Board meeting:

- a. What requests have been made by the new owners of the Atascocita Country Club;
- b. What are the District's options regarding the golf course land;
- c. How much utility capacity is available;
- d. If the District provides water service for golf course irrigation, how would it proceed; and
- e. What areas of the golf course and country club are within the District's boundaries.

14. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** The Board convened in Executive Session at 7:23 p.m. to discuss litigation.

15. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** The Board reconvened in open session at 7:35 p.m.

The Board reconvened in open session at 7:45 p.m.

16. **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
July 16, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)