

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 19, 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 March 19, 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. 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. Nikki Wynn of Payne Communications; Ms. June House, a resident of the District; 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 February 19, 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 February 19, 2009, as presented.

2. **Receive comments from the public.** There were no oral comments from members of the public.

The Board reviewed a request from the PTA President for Pine Forest Elementary School, Ms. Pam Rossiter, requesting that the District consider funding a portion of the costs for installation of new playground equipment at the school. Discussion ensued. The Board noted that Pine Forest Elementary School is not within the boundaries of the District. It was the consensus of the Board to not participate in funding for school playground equipment.

3. **Discuss and take action in connection with security contract with ADT and payment of same.** Ms. Cogburn reported that Mr. Sandefer with ADT reported that as of March 18, 2009, all of ADT's security system equipment has been installed and ADT is in the process of setting up a meeting with the DSL provider for next week. Ms. Cogburn noted that Mr. Sandefer stated that he will keep the Board updated on the status.

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 March 19, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "B."

Ms. Conley reported that the District has received a check from FEMA in the amount of \$15,000.

In response to a question from Director Stine, Ms. Conley stated that she will verify the energy recap summary numbers and calculations.

Ms. Cogburn presented to the Board the Arbitrage Rebate Report in connection with Arbitrage Compliance Specialist's review of the District's Series 1989, Series 1993, Series 1995, Series 2000, Series 2003, and Series 2006 Bonds, a copy of which is attached hereto as Exhibit "C." Ms. Cogburn noted that there was no payment due to the IRS with respect to any of the District's bonds at this time.

Director Stine noted that he is coordinating with the District's bookkeeper regarding preparation of the draft budget for fiscal year ending May 31, 2010.

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 accept the Bookkeeper's Report for the period ending March 19, 2009, to approve the Investment Report, and to authorize payment of check numbers 6429 through 6451 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Discuss and take necessary action in connection with shared lift station no. three (Kings River Village) with Harris County Municipal Utility District No. 151 ("No. 151").** Ms. Cogburn stated that No. 151 has prepared and sent a bill to the District for the shared costs in connection with lift station no. three (Kings River Village). Ms. Conley reported that she has not yet received the bill and will contact No. 151's bookkeeper to request the bill.

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 February 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 94.5% of the District's 2008 taxes had been collected as of February 28, 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 1380 through 1394 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.

7. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for February 2009, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 98.51% of the water pumped was billed for the month ending February 20, 2009.

Mr. Mensik reviewed with the Board a request from the Atascocita Country Club, a copy of which is attached hereto as Exhibit "F." Mr. Mensik stated that the Country Club's average water usage from July 2007 through June 2008 was 870,000 gallons per month. Mr. Mensik stated that the Country Club's average water usage from July 2008 through February 2009 was 1,677,000 gallons per month. Mr. Mensik stated that the Country Club located a large leak, which has been repaired, and is requesting a credit in the amount of \$9,684.00 for the sewer portion of the affected water bills. 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 credit to the Atascocita Country Club in the amount of \$9,684.00.

Mr. Mensik reported that ST performed an emergency dig along Atascocita Point when the lift station run time exceeded seven hours. Mr. Mensik stated that during the emergency dig ST located a sag in the District's sanitary sewer line due to the weight of two large boulders. Mr. Mensik stated that the line has been repaired, but the house line at 20910 Atascocita Point now has a lower elevation than the District's line. Mr. Mensik and Ms. Zapletal noted that the District will need to locate the house sanitary sewer line and re-connect the line to the District sewer line along Atascocita Point. In response to a question, Mr. Mensik estimated the cost of the repairs at \$75,000.

In response to a question, Ms. Conley stated that she still needs to confirm that the Tri-City Turnkey builder damage settlement amount (\$907.57) was received. Mr. Mensik noted that ST automatically sends any builder damages accounts over 90 days old to the District's collection attorney, Ms. Margaret Poissant.

Mr. Mensik reported that ST has been coordinating with Compass Bank to obtain an agreement between Compass Bank and the District for a "lock box" payment system, which would allow District customers a variety of options for bill payment. Ms. Cogburn stated that she has received the standard documentation associated with the "lock box" payment system and the agreement appears to be a standard contract. Ms. Cogburn noted that to review the agreements, documentation, and banking regulations associated with the "lock box" system would be time consuming. It was the consensus of the Board that Ms. Cogburn not review the "lock box" system documentation. Mr. Mensik stated that any costs associated with the type of payment will be assessed to the customer and will cost \$1.00 to \$5.00 per payment, depending on the form of payment. Discussion ensued. It was the consensus of the Board to further discuss such matter at the next Board meeting.

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

8. **Status of repairs to former temporary lift station site (Tammarron).** Ms. Cogburn reviewed with the Board the Release of Easement, the Temporary License Agreement,

and the Addendum to the Temporary License Agreement prepared by the Atascocita Country Club's attorney, copies of which are attached hereto as Exhibit "G." Ms. Cogburn stated that in order for 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, the Country Club is requiring the District to Release the Easement and approve and sign a Temporary License Agreement (with Addendum). 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 the Release of Easement, the Temporary License Agreement, and the Addendum to the Temporary License Agreement in order for the District to make the necessary repairs to the old lift station site.

9. **Discuss and take action regarding repair to Atascocita Point sewer line.** Ms. Zapletal reported that repairs to the sewer line on Atascocita Point are necessary to restore the integrity of the line. Ms. Zapletal noted that the cost of such repairs will most likely exceed \$50,000 and that Brown & Gay requests the Board's authorization to proceed with notification to TCEQ of the emergency repairs. Ms. Cogburn stated that the District does not need TCEQ approval to repair an existing line.

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

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

The preconstruction meeting was held on February 20, 2009. Brown & Gay received and forwarded two submittals to TBG Partners for review and approval. Tolunay-Wong Engineers, Inc. provided a proposal for construction material testing services in an estimated amount of \$2,364. Fees will be invoiced for 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 approve the proposal from Tolunay-Wong Engineers, Inc. for construction material testing services in an estimated amount of \$2,364.

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. Bury+Partners provided Brown & Gay and ST a preliminary utility layout to assist in preparation of an estimate of tap expenses for Mr. Rowland to update his construction financing.
- 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.

Atascocita Joint Operations Board:

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 January 2009 indicates an average daily flow of 4.33 mgd, or 284 gpd per ESFC. Rainfall for the month was .9 inches.

The warranty for the new plant equipment expires on March 1, 2009, one year from the date that TCEQ approved the work. Brown & Gay requested that LEM inform Brown & Gay when all warranty issues have been resolved so an inspection can be performed. There have been multiple problems with the new bar screen installed at the lift station. The manufacturer, Environmental Improvements, Inc. (EI²), has provided an additional one year extended warranty on the bar screen. For the extended warranty to remain valid, EI² informed Brown & Gay that they will require a maintenance log sheet to be completed by ST to ensure regular maintenance is performed on the bar screens. EI² will provide the log sheet for ST to use and will require that this log sheet be kept up to date and available at the plant for inspection.

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.

11. Discuss and take action in connection with disinfection system (chlorine/bleach) alternatives for the water plants. Ms. Zapletal stated that Brown & Gay and ST compiled estimated capital costs and operations expenses for a bleach disinfection alternative and have updated such information since the last Board meeting. Ms. Zapletal reviewed the advantages and disadvantages for using a chlorine system and a bleach system:

Chlorine - Advantages of Use:

- No capital costs for replacement.

Chlorine - Disadvantages of Use:

- The effects of and methods for handling a leak are more hazardous to Operator, vendors that may be present on the plant site at the time, and potentially residents in immediate vicinity (depending on volume of leak).
- The zone of safety is dependent upon atmospheric conditions.

Bleach - Advantages of Use:

- Using bleach would remove the risk of a gas leak or tank rupture since bleach is a liquid.
- The effects of a leak in a bleach system would not be nearly as catastrophic since leaks would have a containment area where the liquid would drain.
- With bleach the zone of safety around the facilities is not as critical and does not depend on atmospheric conditions as with gaseous chlorine.

Bleach - Disadvantages of Use:

- Bleach is more expensive since it is basically a form of chlorine and water. In essence, the District would be paying for transporting around extra water.
- Bleach has a tendency to be continuously vaporizing. However, with the proper equipment to contain the bleach, the District can manage this problem effectively. The Operator will know how to handle the vapor produced by the bleach so as to not vapor-lock or cause any other adverse effects on the system.
- The annual maintenance costs will be higher than using gaseous chlorine. Severn Trent noted that between January 1, 2008 and December 31, 2008, the District used a total of 7,878 pounds of chlorine at a cost of \$10,059.78. If the District were using bleach, that cost would have been \$18,907.20, an estimated difference of \$8,847.42 per year or \$737.29 per month. These costs are based on the total chlorine used at both plants.
- Capital costs to convert to bleach disinfection will be an estimated \$11,800.00 for each water plant per the attached proposal from ST. This price includes metering pumps, storage tanks, a containment basin, an eye wash station (in addition to existing eye wash stations but closer to the bleach storage area), calibration chamber, and miscellaneous piping and valves. Storage tanks were sized to avoid modifications to chlorine room doorways and to allow for 495 gallons of bleach storage and containment in the event of a leak. Brown & Gay reviewed actual plant daily flows to verify calculations for bleach storage that will be required by the TCEQ. These calculations showed that the 495 gallons proposed by Severn Trent will be sufficient storage. This cost also assumes that the District will utilize the existing electrical supply lines and signal for the chemical metering pumps. Should the District choose to run new electrical wiring and signal leads, the cost could increase an estimated \$7,500 to \$10,000 per water plant.
- Engineering costs for Brown & Gay to request TCEQ approval of the disinfection modification, to prepare drawings and obtain agency plan approvals (TCEQ, City of Houston, Harris County), to pay estimated plan review and associated

reimbursable expenses, and to coordinate with ST through installation are estimated to range between \$25,000 and \$27,000, depending on ease of plan reviews by the TCEQ and the City of Houston. If only one plant is modified and included in the construction plans, the cost reduction would be an estimated \$4,000.

Discussion ensued. It was noted that the construction and engineering costs to modify the disinfection system will total approximately \$48,000. 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 engineer to proceed with preparation of the design and plans for the modification of the disinfection system from chlorine to bleach.

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

13. **Authorize engineer to advertise for bids for the next phase of the sanitary sewer rehabilitation.** Ms. Zapletal reported that Brown & Gay has compiled the scope of work for the next phase of the sanitary sewer rehabilitation based on priorities one through three as identified after televising the sewer mains. For construction and cost efficiencies, there will also be several adjacent "no comment" segments rehabilitated. Portions of the following areas are included for rehabilitation under the scope of this project:

- Atascocita Shores, Sections 1, 3, 4, 5
- Estates of Pinehurst
- Golf Villas
- Pines of Atascocita, Sections 1 and 2
- Pinehurst of Atascocita, Section 2, 3, 4, 11
- Atascocita Town Center, Sections 1 and 2
- Pinehurst of Atascocita/Atascocita Shores (trunk mains)

Brown & Gay has estimated the following preliminary schedule for the project:

- Submit plans to Harris County for review (by April 13, 2009) and approvals on a rotating basis to have all plans approved by end of April 2009
- Advertise for bids in late April and early May 2009 (after Harris County review of all plans)
- Estimated presentation of bids to Board: June 18, 2009
- Estimated Notice to Proceed: Mid-July 2009

Brown & Gay requests authorization to proceed with advertisements for construction bids after addressing any comments received from Harris County.

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 authorize the engineer to advertise for bids for the next phase of the sanitary sewer rehabilitation.

14. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4"), including award contract for construction of improvements.** Ms. Zapletal reported that non-mandatory prebid meetings for the two projects were held on March 11, 2009. Contractors' questions subsequent to the meetings (mostly regarding the tunneling bid items) required additional attention. The questions raised concerns

from Brown & Gay that (1) bids would be inflated by contractors for construction contingencies (i.e. pavement replacement) or (2) minimal bids would be received. To accommodate additional questions for Harris County and responses to contractors and to eliminate the need for new advertisements for bids, Brown & Gay spoke with Director Hughes to delay the bid opening. The bid openings have been delayed until April 2, 2009 for the internal improvements and April 7, 2009 for the diversion swale/berm.

Bids will be presented to the Board on April 16, 2009. Upon approval of award of the contracts, the Kings River Property Owner's Association ("POA") will be notified on April 17, 2009. Per the Maintenance Contract, after notification of award by the District, the POA will have 45 days to deposit construction funds with the District's bookkeeper.

Brown & Gay has finalized the metes and bounds descriptions for compiling the easement documents for execution and recordation and is providing such descriptions to F&J.

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

15. Authorize execution of Maintenance Contract with Property Owner's Association ("POA") for internal storm sewer improvements in KRE4. Ms. Cogburn reviewed with the Board the draft of the Maintenance Contract, a copy of which is attached hereto as Exhibit "I." Ms. Cogburn stated that both the POA and the District's engineer have reviewed the agreement and their comments have been incorporated into the agreement. Upon motion by Director Haney, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously approve and authorize execution of the Maintenance Contract with the POA for internal storm sewer improvements in KRE4.

16. 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 stated that she previously 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 with the Country Club's attorney. 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. Ms. Cogburn stated that the Country Club has asked the District to terminate the Agreement for Maintenance of a Portion of the Harris County Flood Control Ditch No. G103-29-00. Discussion ensued regarding the amount of work required restore the ditch to a condition to be accepted by Harris County Flood Control District. Ms. Zapletal stated that she will coordinate with the District's operator to research the work needed and associated costs to restore the ditch.

17. Discuss and take action in connection with preparation of identity theft prevention program. Ms. Cogburn reported that there is a new federal requirement for utility districts to have identity theft programs by May 1, 2009. Ms. Cogburn stated that F&J coordinated with the District's operator to prepare a standard Order Adopting an Identity Theft Prevention Program, a copy of which is attached hereto as Exhibit "J." 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 adopt the Order Adopting Identity Theft Prevention Program.

18. **Discuss and take action in connection with request from Atascocita Volunteer Fire Department (“AVFD”) regarding including article in District newsletter regarding election in May 2009 (to increase the ESD #46 tax rate).** The Board reviewed the request from the AVFD to include information in the District’s next newsletter regarding an election to approve a \$0.03 tax increase, a copy of which is attached hereto as Exhibit “K.” Discussion ensued. It was the consensus of the Board that the article be included in the next newsletter. Ms. Wynn stated that she will prepare and circulate a proposed article for the Board’s review.

19. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that she is coordinating with Director Hughes regarding the next quarterly newsletter and associated articles. Discussion ensued regarding article topics.

20. **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.

21. **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.

22. **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
April 16, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)