

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 10, 2010

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 Trail Drive, Humble, Texas, 77346, on June 10, 2010 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. Eric Comeaux 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. Anthea Moran of First Southwest Company, financial advisor for the District; Ms. Jana Cogburn and Ms. Carla Christensen, paralegal, 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 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 20, 2010, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of May 20, 2010, as presented.

2. **Receive comments from the public.** There were no comments from the public.

3. **Presentation by Financial Advisor.** Ms. Moran presented to and reviewed with the Board an analysis for refunding the District’s Series 2000 Bonds, a copy of which is attached hereto as Exhibit “C.” Discussion ensued. It was the consensus of the Board for the District’s consultants to proceed with preparation of a Preliminary Official Statement and other documents for a refunding bond issue.

4. **Discuss and take action in connection with repairs to drainage ditch.** Mr. Jones reported that ST is working with Embark Tree and Landscape Services regarding

completion of the repairs and maintenance to the drainage ditch. Mr. Jones reported that there are additional tree logs that need to be removed.

5. Discussion and take necessary action in connection with the security systems.

Mr. Jones reported that one security camera is not functioning and ST has contacted ADT to schedule the necessary repairs.

6. 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 10, 2010 and the Investment Report, copies of which are attached hereto as Exhibit "D." 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 accept the Bookkeeper's Report for the period ending June 10, 2010, to approve the Investment Report, and to authorize payment of check numbers 6953 through 6973 from the Operating Account and check number 5106 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

7. Review Tax Collector's Report and authorize payment of certain bills. Mr.

Comeaux presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of May 2010 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Comeaux noted that 97.87% of the District's 2009 taxes had been collected as of May 31, 2010.

Mr. Comeaux reported on the number of homesteads in the District.

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1540 through 1546 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. Operations Report and Billing and Collections Report. Mr. Jones presented to and reviewed with the Board the Operations Report for May, 2010, a copy of which is attached hereto as Exhibit "F." Mr. Jones reported that 97.11% of the water pumped was billed for the month ending May 18, 2010. 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. Approve Consumer Confidence Report. Mr. Jones presented to and reviewed with the Board the draft Consumer Confidence Report ("CCR"), a copy of which is attached hereto as Exhibit "G." 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 CCR and authorize distribution of same to District customers by July 1, 2010.

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:

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 | FYE 2010 Surplus Funds Used As of 06/10/10 | Total Actual Project Expenses (non-audited) |
|--|----------------------------------|-----------------------------|--|---|
| Atascocita Point Drive SS repair - Construction costs incurred by ST | \$ 70,000 | \$ - | \$ 96,449.14 | \$ 96,449.14 |
| Water Plant Disinfection modifications - Engineering and construction costs ** | \$ 37,443 | \$ 12,741.44 | \$ 78,327.97 | \$ 91,069.41 |
| Water Plant Fence Replacement Project - Construction costs | \$ 215,000 | \$ - | \$ 243,744.26 | \$ 243,744.26 |
| Sanitary Sewer Rehabilitation, Phase IV - Construction costs (as funds available) | \$ 197,482 | \$ - | \$ - | \$ - |
| TOTALS *** | \$ 519,925 | \$ 12,741.44 | \$ 418,521.37 | \$ 431,262.81 |

* The reimbursement to the GOF was approved in the August 20, 2009 bookkeeper's report.

**The reimbursement to the GOF for Water Plant No. 1 (Rebawood) construction expenses was approved in the April 15 bookkeeper's report. The invoice for Water Plant No. 2 (WLHP) construction expenses (\$21,110.78) was included in the main monthly invoice from Severn Trent. The anticipated balance of available surplus funds (\$16,728.31) will be transferred to the GOF in the June 10, 2010 bookkeeper's report to complete the May 2010 payments.

***Subsequent to the April 2009 surplus funds letter, the District used \$215,507 in surplus funds in 2009 to pay HCMUD 151 for shared lift station generator expenses. Therefore, the remaining surplus funds will be spent at the June 10 meeting. No future expense will be paid from surplus funds.

Brown & Gay and Myrtle Cruz, Inc. communicated prior to this meeting to establish the amount of surplus funds available for payment of the final engineering and construction expenses for the disinfection modifications project.

Construction Plan Review:

- a. Chick-fil-A addition (19220 West Lake Houston Parkway): Brown & Gay received plans from BBI Architects for review in connection with an addition of storage and freezer space. The architect informed Brown & Gay that the service capacity of the restaurant will not be increased from its current capacity.

- b. La Quinta Inn & Suites (1.429 AC on Atascocita Road east of Town Center Boulevard): Brown & Gay and ST have reviewed the construction plans to provide comments to A&L Engineering.
- c. Rowland Interests-Atascocita Business Park/Sports Complex (19505 West Lake Houston Parkway): *A capacity commitment extension request was received this week and is included with Agenda Item 10.* The preliminary construction plans submitted by H2B, Inc. have been reviewed and comments were provided to the engineer in 2009. Brown & Gay re-sent the comments to the owner on June 8, 2010 to confirm that comments have been addressed before the final plans are returned to Brown & Gay for approval. Mr. Rowland expects to proceed with construction very soon. Mr. Rowland requested that Brown & Gay share with the Board his appreciation for the District's "very classy" new fence constructed around the water plant.
- d. Atascocita Center (6725 Atascocita Road): *Nothing new.* The owner inquired about installation of a 4-inch fire line connection to construct fire sprinklers for tenants, although this was not originally required by Harris County Fire Marshall. Brown & Gay provided information in April 2010 for connection to the public waterline along Atascocita Road.
- e. Atascocita Lutheran Church: *Nothing new.* Brown & Gay is awaiting receipt of as-built construction plans for the project that show the waterline that was relocated for a new hand sink.
- f. Atascocita Shores, Section 2, Lot 9, Block 5: *Nothing new.* Brown & Gay provided utility plans and capacity commitment request procedures to Benchmark Engineering in September 2009 for use in the development of this lot, which is primarily located within the City of Houston.
- g. Chateaux at Pinehurst Apartments: *Nothing new.* Brown & Gay and ST require video inspection of the existing sewer mains prior to connecting to the District's sanitary sewer.

EPA Ground Water Rule:

A checklist of the TCEQ's required information for the Triggered Source Monitoring Plan ("TSMP") has been assembled by Brown & Gay with assistance of ST. Brown & Gay is awaiting copies of the most recent well testing reports from ST to insert into the final draft of the TSMP.

Water Well No. 1 Rehabilitation (Water Plant No. 1 – Rebawood):

Brown & Gay submitted an emergency project request to the TCEQ, a copy of which is attached to the Engineer's Report. The television survey of the well was completed on June 4, 2010, and the pump was inspected June 7, 2010. Alsay noted that the main source of brass was coming from the suction case bearing and intermediate bowl bearings. The suction case was worn so much that it was whipping the impellers into the bowl casings, which were found to be too thin for re-use. Attached to the Engineer's Report is the summary letter and the itemized cost proposal provided by Alsay for the

inspection and emergency well rehabilitation, including replacement of the pump and entire column and bowl assembly and brushing of the well screens. While several sets of screens were mostly clear of debris for a well this age, the lowest two sets of screens had holes that were almost fully plugged. Since the pump is out of the well, now is the time to brush the entire well.

The total cost of the proposal provided by Alsay was \$103,903.00, which includes the \$8,550 approved by the Board on May 20, 2010 for the inspection work. Brown & Gay coordinated with Director Haney as the Board requested to review and to authorize work to proceed prior to the meeting. Notice to proceed was given to Alsay on June 9, 2010. The contractor still feels the originally estimated two-three weeks should be sufficient to receive the pumping equipment, brush the well, and disinfect the well.

Emergency Preparedness Plan (“EPP”):

The requested copy of the EPP was received from the TCEQ on June 8, 2010. Brown & Gay distributed copies of the EPP to the Harris County Judge, Harris County Office of Emergency Management, the Public Utility Commission of Texas, and the Texas Division of Emergency Management. Two of the four delivery confirmations have been received. Documentation of such deliveries will be included in the copies of the EPP provided to F&J and ST for the District’s records. ***This EPP is a confidential document and will not be subject to disclosure to the public under Texas Government Code, Chapter 552: Public Information.***

Water Plant No. 1 (Rebawood) Expansion:

Brown & Gay provided the TCEQ reviewer with the detailed water production spreadsheets in late May 2010 as part of the update to the elevated storage variance approval. Brown & Gay is awaiting confirmation that the TCEQ acknowledges a reduced HPT service capacity of 14.3 gallons per connection.

A meeting to review the plans with ST was held on May 27, 2010. Comments noted at the meeting were incorporated into the plans. The plans have since been returned to the City of Houston for final review and approval. Brown & Gay expects to submit the final plans to the TCEQ and Harris County early next week.

Brown & Gay is also trying to schedule a meeting with a water plant contractor to review the plans, schedule, and anticipated sequence of work in preparation for the pre-bid meeting.

The objectives for the project’s estimated schedule are as follows:

- Submit plans to regulatory agencies (TCEQ, COH, Harris County) for review: By 5/26/2010
 - *Reduced* plan review time and signature routing of plans through agencies: 3-4 weeks
- Brown & Gay received authorization to advertise for bids contingent on the following:
 - Agency & ST comments have been addressed.

- Bidders present at the MANDATORY pre-bid meeting on June 23, 2010 will receive the expected project schedule, which will be reviewed in detail at the meeting.
 - Advertisements for bids 6/9/2010, 6/16/2010; Mandatory prebid meeting with interested bidders on 6/23/2010; Bid opening on 7/7/2010; Presentation of bids on 7/15/2010
- Along with the recommendation of award, Brown & Gay will request authorization to proceed with reviews of the contractor's submittals while contracts are being routed for signatures.
- Estimated Notice to Proceed before 9/1/2010
- Construction sequencing can be such that the water plant may only be down for 3-4 weeks during lower demands in the winter months.
 - Yard piping and pump construction should be complete by 3/1/2011
 - GST construction (\pm 23 weeks) and HPT construction should be complete by 5/1/2011

Sanitary Sewer Rehabilitation, Phase IV:

Portions of the following areas are included for CIPP rehabilitation in this project:

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

To clarify a question asked at the May 2010 Board meeting, Brown & Gay confirmed that existing service connections with visible roots receive a new service reconnection to eliminate the roots and infiltration into the service line. Residents receive notice in advance of the construction work on their services.

Pay Estimate No. 6 from Insituform Technologies in the amount of \$270,164.76 has been reviewed and is recommended for approval and payment, a copy of which is attached to the Engineer's Report. This pay estimate includes payment for pre- and post-construction video inspection; 62 LF of pipebursting to replace 6-inch pipe with 8-inch pipe; 1,742 LF of 8-inch CIPP; 110 LF of 10-inch CIPP; 1,548 LF of 12-inch CIPP; 1,401 LF of 15-inch CIPP; 1,100 LF of 18-inch CIPP; 460 LF of 24-inch CIPP; related appurtenances; and reduction to five percent retainage. Five percent of the work approved to date remains on retainage (\$94,153.92).

In May 2010, Brown & Gay recommended approving approximately \$160,000 of CIPP to complete the lining of the larger trunk mains and select mains smaller than 12 inches. The final contract amount is estimated to exceed the original contract amount by approximately \$75,000.

Atascocita Joint Operations Board (“AJOB”):

The preliminary report for June 2010 is not yet available.

Capacity review for potential golf course service connections:

Ms. Zapletal presented to and reviewed with the Board a summary of the water and sewer capacities of the District, a copy of which is attached to the Engineer's Report.

| WWTP ESFC Not Committed | Water ESFC Not Committed | Undeveloped Acreage |
|-------------------------|--------------------------|---------------------|
| 800 | 360 | 44 AC |

Water Supply:

Estimated Ultimate ESFC = 4,733

Current Committed ESFC = 4,013 (also includes Golf Course and platted lots without homes)

Current Estimated Active ESFC = 3,420 (Brown & Gay); 3,150 (ST)

Estimated Ultimate "TCEQ Connections" approved in elevated storage variance request = 3,090

*Note: "Current Committed ESFC" and "Ultimate TCEQ Connections" are not calculated based on the same definition of connection.

| Table 1 - Before Expansion | | | |
|---|-------------------------|-------|----------------|
| | Existing Plant Capacity | Units | Available ESFC |
| Water Plant Total Capacity | | | |
| Wells | 3,000 | gpm | 5,000 |
| Ground Storage | 840,000 | gal | 4,200 |
| Booster Pumps (7 pumps @ 750 gpm) [Based on 1.50 gpm/ESFC] | 5,250 | gpm | 3,920* |
| Hydro-tanks | 60,000 | gal | 3,429 |

* Booster Pump capacity is based on meeting peak hour demand with largest pump (750 gpm) out of service

| Table 2.1 - After Expansion (No New GST at WP2) | | | | |
|---|--------------|-------------------------------|-------|----------------|
| | Improvements | Total Improved Plant Capacity | Units | Available ESFC |
| Water Plant Total Capacity | | | | |
| Wells | - | 3,000 | gpm | 5,000 |
| Ground Storage | 420,000 | 1,260,000 | gal | 6,300 |

| | | | | |
|--|--------|--------|-----|--------|
| Booster Pumps (3-2,500 gpm; 4-750 gpm) [Based on 1.50 gpm/ESFC] | * | 10,500 | gpm | 5,333* |
| Hydro-tanks | 20,000 | 80,000 | gal | 5,594 |

* Booster Pump capacity is based on meeting peak hour demand with largest pump (2,500 gpm) out of service; Projected peak hour: $4,733 \times 1.5 \text{ gpm/ESFC} = 7,100 \text{ gpm}$

Table 2.2 - After Expansion (New GST at WP2)

| Water Plant Total Capacity | Improvement s | Total Improved Plant Capacity | Units | Available ESFC |
|--|---------------|-------------------------------|-------|----------------|
| Wells | - | 3,000 | gpm | 5,000 |
| Ground Storage | 420,000 | 1,680,000 | gal | 8,400 |
| Booster Pumps (3-2,500 gpm; 4-750 gpm) [Based on 1.50 gpm/ESFC] | * | 10,500 | gpm | 5,333* |
| Hydro-tanks | 20,000 | 80,000 | gal | 5,594 |

* Booster Pump capacity is based on meeting peak hour demand with largest pump (2,500 gpm) out of service; Projected peak hour: $4,733 \times 1.5 \text{ gpm/ESFC} = 7,100 \text{ gpm}$

Sanitary Sewer:

The limiting factors for sanitary sewer service to the golf course tracts are the District's gravity sewer mains and the capacity in the regional wastewater treatment plant rather than the lift station and force main capacities. The most restrictive "excess" capacity is that of the regional wastewater treatment plant ("WWTP"). Currently, the District owns an estimated 80 ESFC in excess of the current projected buildout (4,733 ESFC). However, some Participants in the WWTP have excess capacity that may be available for purchase to serve redevelopment of the golf course.

| Facility (Includes Force Main) | Based on 350 gpd with 4Q peak | |
|--|---|--|
| | Approximate Excess Lift Station Capacity (ESFC) | Approximate Excess Sanitary Sewer Main Capacity (ESFC) |
| Total Lift Station No. 1 (FM 1960 East) * Shared with HCMUD 151 and 153 | 450 | - |
| - LS#1 Northeast Service Area | - | 242 in 12" SS |
| | - | 703 in 15" SS |
| - LS#1 Southeast Service Area | - | 800 in 18" SS |
| - LS#1 West Service Area | - | 390 in 18" SS |

| | | |
|--------------------|----|---|
| Lift Station No. 2 | 95 | - |
|--------------------|----|---|

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 and authorize payment of Pay Estimate No. 6 from Insituform Technologies in the amount of \$270,164.76 in connection with phase IV of the sanitary sewer rehabilitation.

11. Review and authorize capacity commitment letters. Ms. Zapletal reported that one request for capacity commitment has been received from the last meeting, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that Rowland Interests, LP is requesting that its current capacity commitment letter be extended for service to the proposed Atascocita Business Park, including the Rowland/Ballard Gymnastics facility. The most recent commitment extension was approved in May 2009 for 5,000 gallons per day (gpd) of water supply and 4,000 gpd of dry weather flow and wastewater treatment capacity. The requested capacity is approximately 12 ESFC. 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 and authorize an extension to the capacity commitment letter for Rowland Interests, LP.

Ms. Zapletal reported that as of May 2010, Mr. Bauer was still investigating the best option to obtain water service to the QLS tract of land. Ms. Zapletal stated that Mr. Bauer inquired whether the District would be willing to cover the costs associated with annexing his property into the District and share the costs to bring water service to his building. It was noted that the Board previously notified Mr. Bauer that the Board is not interested in cost sharing and has not changed its position regarding this matter.

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.

Ms. Zapletal reviewed the following information from the written Engineer's Report, a copy of which is attached hereto as Exhibit "H."

Diversion Swale and Berm for Kings River Estates, Section Four

C.E. Barker, Ltd submitted the lowest total bid of \$249,678.57 on April 2, 2009.

Several signed easements have been returned to F&J.

With the Board's authorization in May 2010, alignment of the swale and berm has been reduced based on requests received from residents to minimize tree removal. The draft outline of costs requested from the contractor to relocate the fences to the edge of the existing 55' drainage easement (approximately 4 feet from the current location) and to reduce the contract for the reduced scope of work is attached to the Engineer's Report. The contractor's confirmation of costs has not yet been received.

Utility locations have been requested of private utility companies. In February 2010, the Board authorized total payments for utility relocation not-to-exceed \$10,000. Payments to CenterPoint as part of this authorization totaled \$6,831.

- CenturyLink (formerly known as Embarq) provided verbal feedback that expenses incurred for the relocation of the duct bank in the public right-of-way will not be billed to the District or the contractor. Brown & Gay has not yet received the requested written confirmation. CenturyLink is still awaiting receipt of duct bank materials to proceed with the relocation work.

The required Small Construction Site Notice (SCSN) and Storm Water Pollution Prevention Plan (SWPPP) documents were submitted to Harris County, the MS4 Operator, as required, prior to construction.

13. Discuss and take any action in connection with District communications.
Ms. Wynn reported that the quarterly newsletter will be sent to the printer after the meeting.

14. Discuss and take necessary action in connection with Director Hughes' position on the Board, including authorizing vacating the position pursuant to Section 49.052 Texas Water Code. Ms. Cogburn reported that F&J has verified that Director Hughes has missed more than half of the regularly scheduled Board meetings in the past 12 months. Ms. Cogburn stated that the remaining Board members can remove Director Hughes from the Board pursuant to Section 49.052(g) of the Texas Water Code. The Board reviewed a draft letter to be sent to Director Hughes informing him that he has been removed as a Board member and he has the right to file a written appeal with the TCEQ, a copy of such letter is attached hereto as Exhibit "I." Upon motion made by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to remove Director Hughes from the Board of Directors pursuant to Section 49.052(g) of the Texas Water Code and authorize F&J to send the letter to Director Hughes informing him that he has been removed as a Board member.

15. Election of Officers. Consideration was next given to the election of officers of the Board. Discussion ensued.

Upon motion made by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Haney to the office of President, Director Stine to the office of Vice President, Director House to the office of Secretary, and Director Holder to the office of Assistant Secretary.

The new slate of officers is as follows:

Bobby Haney, President
Tim Stine, Vice President
Don House, Secretary
Jerrel Holder, Assistant Secretary
Vacant Position

The Board requested that a statement be included in the newsletter informing District residents that there is a vacancy on the Board of Directors and if a District resident or owner of land within the District is interested in serving as a Board member they should email their resume to Ms. Christensen (cchristensen@fulbright.com).

16. Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation. The Board did not convene in Executive Session to discuss litigation.

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 to discuss security related matters.

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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on
July 15, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)