

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 16, 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 September 16, 2010 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

Bobby Haney, President
Tim Stine, Vice President
Don House, Secretary
Jerrel Holder, Assistant Secretary\
Lloyd Lentz, Director

All members of the Board were present except Director Haney. 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. Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditor for the District; Mr. Cliff Kavanaugh of First Southwest Company, financial advisor for the District; and Ms. Jana Cogburn and Ms. Carla Christensen, paralegal, 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. **Election of Officers.** Discussion ensued. 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 retain the officers as previously elected, with the exception of Director Lentz assuming the position of Assistant Secretary.

2. **Minutes.** Proposed minutes of the meeting of August 19, 2010, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of August 19, 2010, as presented.

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

4. **Approve audit for fiscal year ended May 31, 2010.** Ms. McCain presented to and reviewed with the Board McCall Gibson Swedlunds & Barfoot, PLLC’s audit management

letter and the draft of the audit for fiscal year ended May 31, 2010, a copy of which is attached hereto as Exhibit "B." Discussion ensued. It was the consensus of the Board that Ms. Zapletal provide the auditor with the updated status of District construction projects. Upon motion by Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for fiscal year ending May 31, 2010.

5. **Discuss and take action in connection with repairs to drainage ditch.** Mr. Mensik stated that he had nothing to report on the drainage ditch at this time.

6. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending September 16, 2010 and the Investment Report, copies of which are attached hereto as Exhibit "C" Upon motion by Director Holder, 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 September 16, 2010, to approve the Investment Report, and to authorize payment of check numbers 5108 and 5109 from the Capital Projects Account and check numbers 7071 through 7107 from the Operating Account, all as listed in the Bookkeeper's Report.

7. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the draft of the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "D." Ms. Cogburn stated that the District is required to file such report pursuant to the bond orders for the District's 2000, 2003 and 2006 bond issues. Upon motion by Director Holder, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Annual Report on Financial Information and Operating Data and to authorize the filing of same, subject to finalization of the report.

8. **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 August 2010 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 98.6% of the District's 2009 taxes had been collected as of August 31, 2010. Upon motion by Director Holder, seconded by Director Lentz, 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 1560 through 1567 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** Mr. Kavanaugh presented to and reviewed with the Board a cash flow analysis and recommendation for levying the 2010 tax rate, a copy of which is attached hereto as Exhibit "F," recommending that the District assess a debt service tax rate of \$0.24 per \$100 of assessed valuation, which is the same as the 2009 debt service rate. Discussion ensued. The Board reviewed the draft Order Designating Officer to Calculate and Publish Tax Rate for 2010, 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2010, thereby authorizing the

District's tax assessor and collector to publish the proposed tax rate of \$0.335 for \$100 assessed valuation (\$0.24 for debt service and \$0.095 for operations and maintenance).

10. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for August, 2010, a copy of which is attached hereto as Exhibit "H." Mr. Mensik reported that 104.12% of the water pumped was billed for the month ending August 23, 2010.

Mr. Mensik reported that the two fluoride scales at the District's water plants need to be replaced. Mr. Mensik stated that it will cost \$3,038.30 to replace each scale.

Mr. Mensik stated that a customer has requested a deposit refund since he has an excellent payment history. It was the consensus of the Board to deny such request.

Mr. Mensik reported that the West Harris County Regional Water Authority anticipates approving an increase in the groundwater pumpage fee from \$1.25 per 1,000 gallons pumped to \$1.55 per 1,000 gallons pumped, which would be effective January 1, 2011. Discussion ensued regarding passing such fees through to the District's customers.

Mr. Mensik requested that the Board consider amending the District's contract with ST at the next Board meeting (to decrease outside vendor mark-up %).

In response to an inquiry from Director Stine, Mr. Mensik reported that there is a continuing water leak on Atasca Oaks on the Walmart property. Mr. Mensik stated that the leak is on Walmart's line and Walmart has attempted to repair the leak three times. Discussion ensued. It was the consensus of the Board that ST notify the Walmart manager, in writing, of the leak and request that such leak be repaired.

Upon motion by Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination of service to the delinquent accounts, and to authorize the replacement of the fluoride scales at the District's water plants.

11. **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 "I," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. La Quinta Inn & Suites (1.429 AC on Atascocita Road east of Town Center Boulevard): Plans have been conditionally approved with comments. Brown & Gay and ST have requested an additional sheet that shows an enlarged utility layout for ease of inspection.
- b. Rowland Interests-Atascocita Business Park/Sports Complex (19505 West Lake Houston Parkway. The revised construction plans have been approved. Comments were also made for facilities proposed in the next phase of construction, notably the fire line loop.

Atascocita Volunteer Fire Department's request for fire hydrant locations:

Atascocita Volunteer Fire Department ("AVFD") is in the process of preplanning a computerized database ("GIS") and has requested the District's data on locations of fire hydrants. If authorized by the District, the information on main lines and fire hydrants (not water plants) can be sent to AVFD electronically.

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

Pay Estimate No. Two from Alsay, Inc. in the amount of \$71,553.00 has been reviewed and is presented to the Board for approval and payment. A copy of the Pay Estimate is attached to the Engineer's Report. The estimate includes payment for the column assembly, pumping equipment, and bacteriological tests.

Brown & Gay is waiting for the well production test results from GM Services.

Water Plant Expansion:

Notice to Proceed was issued to Schier Construction Company, Inc. on August 23, 2010. To date, 20 submittals have been reviewed. Tank fabrications are underway. The contractor estimates mobilizing to the site in October 2010. Brown & Gay and ST will coordinate the timing of the hydro pneumatic tank construction to help expedite the schedule once the District's water demand has decreased.

On August 6, 2010, Brown & Gay submitted application to the TCEQ for approval of the release of Series 2006 escrowed bond funds totaling \$1,117,600 (\$1,016,000 construction plus \$101,600 contingencies). This week, the TCEQ noted that the application will be entering the peer review process. Brown & Gay anticipates receipt of the TCEQ's approval prior to the October 2010 Board meeting.

Brown & Gay requested the contractor and its subcontractors provide a list of workers who will potentially be onsite during construction. This information will be shared with the District's operator.

Sanitary Sewer Rehabilitation, Phase IV:

A pay estimate was not submitted by Insituform Technologies this month. Insituform Technologies informed Brown & Gay that they will be returning to the site next week for work on 8-inch and 18-inch CIPP.

Atascocita Joint Operations Board ("AJOB"):

Brown & Gay continues to maintain a compilation of the ESFC for each participant, total ESFC, average daily wastewater flows, and rainfall information. The compilation through August 2010 is not yet available.

There have been no recent odor complaints from residents in the area.

In March 2010, AJOB approved award of the lift station conveyor ("muffin monster") contract to R&B Group, Inc. in the amount of \$153,000. The equipment was delivered to

the plant in August 2010. A start-up of the equipment is anticipated for the week of September 12, 2010, which will be followed by troubleshooting. All work should be completed by the end of September 2010.

TXU Energy provides energy-efficiency rebates to customers that retrofit to accepted and proven energy-efficient technologies. According to TXU, the maximum energy efficiency rebate that AJOB is eligible for totals \$12,500 and will be available until June 30, 2012. Brown & Gay is reviewing past projects at the AJOB plant to identify which plant improvements can be considered retrofits to energy-efficient technologies. After identifying the retrofits, Brown & Gay will coordinate with TXU and submit the rebate paperwork. Brown & Gay has already contacted John Schatz to get the process started.

Upon motion by Director Lentz, 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, to authorize Brown & Gay to compile and provide AVFD with the District's data on locations of fire hydrants (in electronic format only), and to approve and authorize payment of Pay Estimate No. Two from Alsay, Inc. in the amount of \$71,553.00 in connection with the Water Well No. One (Rebawood) rehabilitation.

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

13. **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, 2010. With two change orders to date, the updated contract amount is \$274,533.97.

Work is underway. During the pipe installation process, the contractor exposed a 4-inch electrical cable and a 1-inch unidentified cable that were not marked either time utility locates were requested (February 2010 and August 2010). CenterPoint Energy has identified its electrical cable and has verbally informed Brown & Gay that the relocation will not be a cost to the District. Brown & Gay has requested written confirmation of this and the proposed relocation date.

Pay Estimate No. One in the amount of \$78,556.48 has been reviewed and is recommended for payment. A copy of the Pay Estimate is attached to the Engineer's Report. This estimate includes payment for site preparation, construction fencing, and the 55 LF of 5'x3' RCB storm sewer under Kings River Drive, partial completion of the swale, and related appurtenances. Ten percent retainage (\$8,728.50) has been withheld.

Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize

payment of Pay Estimate No. One from C.E. Barker, Ltd. in the amount of \$78,556.48 in connection with the Diversion Swale and Berm for Kings River Estates, Section Four.

Drainage Improvements for Kings River Estates, Section Four:

Director House informed Brown & Gay that the resident at 20710 Kings Crown Court has concerns regarding a potential water leak under the new driveway placed as part of this project. Repairs due to any contractor damages will be covered as part of C.E. Barker's one-year warranty for this project.

14. **Discuss and take necessary action in connection with request for park equipment repairs and purchase of new park equipment.** The Board reviewed a written request from Kyle Adams with the Atascocita Civic Improvement Association ("ACIA"), a copy of which is attached hereto as Exhibit "J." It was noted that Mr. Adams is requesting the District's financial participation for proposed park improvements. The Vice President stated that Director Haney plans to contact Mr. Adams to discuss additional details in connection with the ACIA's request. This item was tabled until the next Board meeting.

15. **Discuss and take any action in connection with District communications.** There was no report on District communications at this time.

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.

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The above and foregoing minutes were passed and approved by the Board of Directors on
October 21, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)