

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 17, 2011

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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas, 77346, on February 17, 2011 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. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Fredia 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; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

Call to Order. The 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 January 20, 2011, previously distributed to the Board, were presented for approval. Upon motion by Director Stine, 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 January 20, 2011, as presented.

2. **Receive comments from the public.** There were no members from the public in attendance.

3. **Discuss and take necessary action in connection with request for park equipment repairs and purchase of new park equipment (ACIA and Pine Forest Elementary).** It was noted that the Atascocita Community Improvement Association (“ACIA”) previously requested that the Board financially participate with the ACIA in connection with the proposed park improvements, repairs, and installation of 1) a walking track, 2) benches and 3) playground equipment at the Atascocita Pines Park. Director Lentz reviewed with the Board a memorandum summarizing his recent discussion with Mr. Phil Baumann, President of the ACIA, a copy of which is attached hereto as Exhibit “B.” Director Lentz noted that he will continue to

coordinate with Mr. Baumann regarding the proposed new facilities and the proposals for the new equipment.

It was noted that a representative of the Pine Forest Elementary School PTA previously requested that the Board consider funding a portion of the \$13,000 cost to purchase new playground equipment. Ms. Cogburn noted that after the last Board meeting, F&J provided Ms. Coward with the form of the Recreational Facility Agreement that will be required to be approved by both the Board and the school district prior to the District's purchase of park equipment. Ms. Cogburn reported that Harris County MUD No. 151 ("No. 151") considered the District's request that the cost be split between the District and No. 151. Ms. Cogburn stated that No. 151 indicated they would be interested in paying up to \$5,000 for the purchase of playground equipment upon receipt of a formal request from the school. Discussion ensued. It was the consensus of the Board to further discuss such matter upon receipt of a formal request from Pine Forest Elementary School.

4. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending February 17, 2011 and the Investment Report, copies of which are attached hereto as Exhibit "C." Upon motion by Director Stine, 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 February 17, 2011, to approve the Investment Report, and to authorize payment of check numbers 5114 through 5116 from the Capital Projects Account and check numbers 7237 through 7257 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **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 January 2011 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 93.1% of the District's 2010 taxes had been collected as of January 31, 2011. Upon motion by Director House, 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 1588 and 1589 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for January 2011, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 100.4% of the water pumped was billed for the month ending January, 2011. Upon motion by Director House, seconded by Director Lentz, 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 the delinquent accounts.

7. **Discuss sanitary sewer back-up insurance claim (February 2010 – at Acapulco Cove).** The Board reviewed the sanitary sewer back-up insurance claim information provided by Anco McDonald Waterworks, a copy of which is attached hereto as Exhibit "F." Mr. Mensik reported that the sanitary sewer back-up at the residence on Acapulco Cove occurred on February 23, 2010. Mr. Mensik stated ST made the necessary repairs to the District's sanitary

sewer line, ST and reported the back-up to the insurance company. Discussion ensued. The Board requested that in the future, the District's insurance company and/or broker provide the District with written claim status updates and notification when claims are concluded or settled.

8. **Adopt Order Amending Rate Order (West Harris County Regional Water Authority fees).** Discussion ensued regarding passing through to District customers all or a portion of the West Harris County Regional Water Authority ("WHCRWA") fees. It was noted that the current WHCRWA fee is \$1.55 per 1,000 gallons pumped. Director Stine presented to and reviewed with the Board a summary of average monthly water usage information for the District over the previous 12 months and a summary of the District's property tax revenues and expenditures, a copy of which is attached hereto as Exhibit "G." Extensive discussion ensued regarding future capital expenditures, the amount to maintain as a reserve, and reducing property taxes. It was the consensus of the Board to inform the District's customers that 1) the District will be passing through the WHCRWA fees to its customers effective with its May, 2011 billing to more equitably distribute the surface water conversion fees to District customers in accordance with the amount of their water usage, 2) the District plans to reduce property taxes, and 3) the Board plans to continue investigating ways to reduce property taxes. Upon motion by Director Stine, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to Adopt the Order Amending and Restating Rate Order thereby passing through the WHCRWA fee (currently at \$1.55) effective May 1, 2011, to authorize Ms. Wynn to prepare a letter notifying the District's customers of the new surface water conversion fees, and to authorize the District's engineer to prepare a five year budget for capital expenditures.

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

Construction Plan Review:

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 requested an additional sheet that shows an enlarged utility layout for ease of inspection.

Atascocita Sports Complex: The current sign location is at the District's boundary (on the south side of the drainage channel) as required. There does not appear to be a viable sign relocation option.

Ms. Zapletal reported that Mr. Tim Fontenot submitted a request for capacity commitment to serve the Atascocita SnoCone Factory on the west side of the Phillips 66 at 8010 FM 1960 East. Ms. Zapletal noted that there is already one tap on the property for the Phillips 66 gas station. Mr. Mensik noted that District rules and regulations stipulate that there can only be one tap per property. It was the consensus of the Board that Ms. Zapletal and Mr. Mensik coordinate with the owner of the property where the SnoCone Factory is to be located.

Water Plant Expansion:

Notice to Proceed was issued to Schier Construction Company, Inc. on August 23, 2010.

Pay Estimate No. 1 in the amount of \$83,115 from Shier Construction has been reviewed and is recommended for approval and payment, a copy of the Pay Estimate is attached to the Engineer's Report. The estimate includes payment for mobilization, construction of foundations for generator, hydro tanks, control building, electrical services and yard piping. Funds totaling \$9,235 have been withheld from payments to date.

To increase the air gap in the existing ground storage tank ("GST"), the existing overflow weir needs to be lowered. The contractor provided a change order request in the amount of \$6,000 and 15 calendar days for materials, fabrication, erection, sterilization, testing, and returning the GST to service. Brown & Gay recommends that ST be authorized to have the tank inspections completed at the same time this tank is out of service.

ST requested that one new air compressor be installed to serve all three hydro-pneumatic tanks ("HPT") rather than adding a third compressor to serve the new HPT. Brown & Gay provided the contractor with revised plans to show the necessary modifications. The contractor has not yet been able to provide a cost estimate for such work.

Discussion ensued. It was the consensus of the Board that construction proceed with the planned three air compressors to serve the HPT.

Sanitary Sewer Rehabilitation, Phase IV:

ST notified Brown & Gay of a customer inquiry regarding a sinkhole at 20023 Pinehurst Place. The sinkhole is near a manhole and under the driveway. The manhole was rehabilitated in an earlier project. Brown & Gay has advised Insituform Technologies of the anticipated work to be added to the project after review of the updated video inspection.

Atascocita Joint Operations Board ("AJOB"):

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 2011 indicates an average daily flow of 4.52 mgd. Rainfall for the month totaled 5.5 inches.

To Brown & Gay's knowledge, there have been no recent odor complaints from residents in the area.

Upon motion by Director House, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to approve and authorize payment of Pay Estimate No. 1 in the amount of \$83,115 and Change Order No. 3 in the amount of \$6,000 in connection with the Water Plant Expansion, and to authorize ST to perform tank inspections.

10. **Review and authorize capacity commitment letters.** There was no further discussion on this item.

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. 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 submitted the lowest total bid of \$249,678.57 on April 2, 2009. With two change orders to date, the updated contract amount is \$274,533.97.

CenterPoint Energy's claim of ownership of the 6-inch conduit was rescinded after the December 2010 meeting. The 1-inch cable has still not been claimed. Brown & Gay previously obtained a proposal in the amount of \$5,000 from BORCO for hydro-excavation of the two conduits, which is enough to allow the box culverts to be placed and construction to be completed. A copy of the proposal was reviewed by the District's attorney and Borco has addressed the attorney's comments. Representatives of Borco, C.E. Barker, and Brown & Gay met at the site on February 3, 2011 to discuss the hydro-excavation of the lines to facilities to lowering them for the project. All parties agreed that a traffic control plan is necessary for the work. Borco has submitted a supplemental proposal in the amount of \$2,751 for the additional cost of traffic control, a copy of which is attached to the Engineer's Report.

Upon motion by Director House, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize the proposal in the amount of \$2,751 to BORCO for the traffic control costs associated with the hydro-excavation of the conduits.

Drainage Improvements for Kings River Estates, Section Four (C.E. Barker, Ltd.)

The one-year warranty inspection for the internal drainage improvements was conducted on January 27, 2011. C.E. Barker has not yet addressed the punch list items, but plans to when the construction on the diversion swale berm project is resumed.

Two storm sewer manholes at 20806 Kings Crown Court were covered by the homeowner's landscaping. The homeowner was sent a letter advising them that if required in the future, the removal and replacement of the landscaping improvements will be at the homeowner's expense (not the District's or POA's expense), a copy of such letter is attached to the Engineer's Report.

12. Discuss and take any action in connection with District communications.

The Board discussed ideas for the for the next quarterly newsletter, which will probably be distributed in mid-summer. Discussion ensued regarding including articles on the WHCRWA fees and the new option to pay water bills by automatic bank draft.

Ms. Wynn presented to and reviewed with the Board a proposal from The Texas Network for a website redesign at a cost of \$810.00, a copy of which is attached hereto as Exhibit "I." Discussion ensued. Upon motion by Director House, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposal from The Texas Network and authorize payment in the amount of \$810.00 for the website redesign.

13. **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 March 17, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)