

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 16, 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 June 16, 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. Director Lentz entered the meeting in progress. 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; Ms. Jana Cogburn and Ms. Carla Christensen 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 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 19, 2011, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of May 19, 2011, as presented.

2. **Review Bookkeeper’s Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper’s Report for the period ending June 16, 2011 and the Investment Report, copies of which are attached hereto as Exhibit “C.” 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 June 16, 2011, to approve the Investment Report, and to authorize payment of check numbers 5126 and 5127 from the Capital Projects Account and check numbers 7374 through 7406 from the Operating Account, all as listed in the Bookkeeper’s Report.

Discussion ensued regarding the investment of District funds. It was the consensus of the Board that F&J review the District's investment policy to determine if there is a maximum time period for the investment of District funds.

3. **Receive comments from the public.** The President recognized Mr. Robert Gunn, who inquired about the City of Houston drainage fee he is being assessed. The Board directed Mr. Gunn to contact the City of Houston regarding such fee. Mr. Gunn also inquired on the status of the Kings River Estates, Section 4 diversion swale and berm project. Ms. Zapletal stated that an update for such project will be included in the Engineer's Report.

The President recognized Ms. Colleen Rose, who also was curious about the new City of Houston drainage fees she is being assessed. Ms. Rose inquired on the effect the drought is having on the District's water facilities. Mr. Mensik stated that he will update the Board on this matter in the Operations Report.

4. **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 2011 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 97.9% of the District's 2010 taxes had been collected as of May 31, 2011. 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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1625 through 1635 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Mr. Keefe reviewed with the Board a letter from Robin L. Cramblit LP (account numbers 0601-001-0050, 0601-001-0110, 0601-001-0130, and 0601-001-0180) requesting waiver of penalty and interest assessed on 2009 and 2010 taxes, a copy of which is attached to the Tax Assessor and Collector's Report. It was the consensus of the Board to deny the request since there is no legal basis for waiving penalty and interest.

5. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for May 2011, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 93.91% of the water pumped was billed for the month ending May 16, 2011.

Mr. Mensik reported that ST received an email from Mr. Peter Verdonck (1 Kings River Court) complaining about recent high water bills. Mr. Mensik reported that Mr. Verdonck's meter was replaced in an effort to determine if there is a meter error. Mr. Mensik stated that ST should know within two weeks whether there was a meter error at Mr. Verdonck's residence.

Director Lentz entered the meeting at this time.

Mr. Mensik reported that ST recently discovered a meter at a mobile home located at the northeast corner of Atascocita Shores and FM 1960. Mr. Mensik stated that ST found no record of such meter so the meter was pulled. Mr. Mensik reported that the resident of the mobile home wants to set up a new account for water service. Mr. Mensik stated that the old meter indicates that approximately two million gallons of the District's water was used but not paid for. Mr. Mensik stated that ST is attempting to locate the owner of the property to discuss making

payment arrangements. Mr. Mensik also stated that ST will contact both the City of Houston and Harris County to perform the required inspections on the property's septic system.

Mr. Mensik reported that triggers for the implementation of the District's Drought Contingency Plan have not yet been hit.

Director Stine inquired whether Harris County Municipal Utility District No. 151 ("No. 151") paid the West Harris County Regional Water Authority ("WHCRWA") pumpage fees associated with their recent usage of 10 million gallons of the District's water through the interconnect. Mr. Mensik stated that No. 151 has not yet been billed for the pumpage fees and that he would reconcile the water usage and payments to the WHCRWA between the two districts.

Director Stine requested that Mr. Mensik check on the status of the sinkhole at 20406 Spoonwood Drive (page 9 of Operations Report).

It was noted that the Board previously approved and authorized Stuckey's to perform the maintenance and mowing at the drainage golf course ditch/drainage channel at an annual cost of \$29,250. Mr. Mensik presented to the Board the revised proposal from Stuckey's, which includes an additional \$9,952.80 of work, a copy of which is attached to the Operations Report. Mr. Mensik reported that the work has been completed. 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 ratify approval of the additional work at the drainage channel.

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

6. **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:

Construction Plan Review:

There are no projects with active capacity commitments.

La Quinta Inn (6909 Atascocita Road): The capacity commitment for this project expired on March 18, 2011. Work began recently, and a capacity extension request was submitted on June 7, 2011. The enlarged utility layout provided for ease of inspection seems to show a different plumbing layout than the original plumbing plans. Brown & Gay and ST will coordinate plan approvals.

Water Plant Expansion (Schier Construction):

Pay Estimate No. 5 in the amount of \$135,576.00 has been reviewed and is recommended for approval and payment. The estimate includes payment for the ground storage tank ("GST") splash pad, electrical improvements, and yard piping. Funds totaling 10% of the completed work have been withheld from payments to date (\$82,910.50).

The conversion to the new CenterPoint Energy electric service is complete. The generator started today but would not carry a load. The contractor plans on moving the regulator closer to the carburetor; however, he would like to confirm that the pressure we are receiving is correct as well. CenterPoint Energy is being called for a pressure test on the District's side of the gas meter. The generator start-up is being rescheduled for next week.

The new GST is scheduled to be online by July 30, 2011. Brown & Gay recommends that the work on the overflow weir in the existing GST and the inspections of the GST and the older hydro-pneumatic tank be delayed until September or October, unless water demands drastically subside in the next month. Brown & Gay will work with the contractor and the Board to extend the contract period beyond August 14, 2011 to accommodate this.

The contractor provided an updated proposal for the GST at Water Plant No. 2 on West Lake Houston Parkway. An additional 210 calendar days would be added to the contract for this additional work.

	<u>May 27, 2011</u>	<u>Original Bid</u>	<u>Variance</u>
Construction (Base Bid Items)	\$ 439,600.00	\$ 397,160.00	\$ 42,440.00
Construction (Extra Pay Items)	\$ 15,150.00	\$ 15,150.00	\$ -
BGE Engineering (14% of Base + Extra Pay Items)	\$ 63,665.00	\$ 57,723.40	\$ 5,941.60
Coating Inspections (estimate)	\$ 6,200.00	\$ 6,200.00	\$ -
Welding Inspections (estimate)	\$ 5,000.00	\$ 5,000.00	\$ -
Material Testing (estimate)	\$ 3,500.00	\$ 3,500.00	\$ -
Geotechnical Report (estimate)	\$ 2,500.00	\$ 2,500.00	\$ -
Total Estimate	\$ 535,615.00	\$ 487,233.40	\$ 48,381.60

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 proceed with having an additional GST installed at Water Plant No. 2 (at a cost not to exceed \$540,000) and to authorize Brown & Gay to request proposals from specialized inspection and geotechnical consultants in connection with the project.

Sanitary Sewer Rehabilitation, Phase IV:

Pay Estimate No. 11 was received Monday has not yet been processed for payment this month. Work is complete but the post-construction DVD of the change order work has not been received from the Missouri office. Funds totaling 1% of the completed work have been withheld from payments to date (\$20,784.13).

Brown & Gay issued a second letter to Mrs. Rainbolt via regular mail and certified mail stating that no repairs will be made to her driveway at the cost of the District. The certified mail was acknowledged by Ms. Rainbolt on May 24, 2011 with her signature. This information was also provided to F&J and ST for their records.

Drainage Channel Review:

Regular monthly mowing and monitoring of select crossings has been recommended by Brown & Gay.

Capital Improvements Summary:

The updated draft of the Capital Improvements Summary is attached to the Engineer's Report. This draft has been reviewed by ST. Brown & Gay and ST are coordinating the meter replacement cost estimates to add to the summary. An in-depth review will be presented at the time of the site visit meeting scheduled by the Board.

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 May 2011 indicates an average daily flow of 4.29 mgd. Rainfall measured .4 inches for the month of May 2011.

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, and to approve and authorize payment of Pay Estimate No. Five in the amount of \$135,576.00 in connection with the Water Plant Expansion.

7. **Review and authorize capacity commitment letters.** Brown & Gay received a request to renew the capacity commitment to Mr. Has Mukh V. Vasan for La Quinta Inn & Suites, a copy of which is attached to the Engineer's Report. Ms. Zapletal noted that the proposed La Quinta Inn & Suites will have 62 guest rooms (11 ESFC) with an anticipated demand of 4,901 gpd of water supply and 3,344 gpd of dry weather wastewater treatment capacity. 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 authorize Brown & Gay to issue an extension for the expired capacity commitment letter for La Quinta Inn & Suites.

8. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4").** Ms. Zapletal reviewed the following information from the written Engineer's Report, a copy of which is attached hereto as Exhibit "F."

Diversion Swale and Berm for Kings River Estates, Section Four

A pay estimate was not submitted for payment this month. Funds totaling 10% of the completed work have been withheld from payments to date (\$18,559.57). The contractor is coordinating with Precinct 4 and Brown & Gay to provide approved detour devices and an acceptable high-early-strength mix design for the pavement to be replaced. The mix design was approved by Tolunay-Wong Engineers and Brown & Gay today. Precinct 4 is allowing a total closure for the work to be accomplished with one scheduled pour. Demolition should occur tomorrow, and concrete should be placed on Saturday morning.

Mr. Gunn inquired about the possibility of the installation of a guardrail along the ditch. It was noted that he should contact Harris County regarding such matter.

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

The contractor located a leaking irrigation line adjacent to the driveway at 20710 Kings Crown Court. The line was repaired by the contractor, and the contractor is determining how the rust stains can be removed from the driveway. The balance of the warranty inspection punchlist was completed on June 3, 2011.

Brown & Gay will still not release final payment on the Diversion Swale and Berm project until the entire warranty inspection punch list is addressed.

9. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that Texas Network is in the process of finalizing the redesign of the District's website.

The Board discussed the proposed articles for the next quarterly newsletter, which will probably be distributed in mid-summer.

10. **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 21, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)