

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 19, 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 May 19, 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 except Director Lentz. 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; 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 April 21, 2011, 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 April 21, 2011, as presented.

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

3. **Engage Arbitrage Compliance Specialists to perform rebate calculations in connection with Series 2010 Refunding Bonds.** Ms. Cogburn reviewed with the Board the Engagement Letter from Arbitrage Compliance Specialists, Inc. for review of the District’s Series 2010 Refunding bond issue for compliance with arbitrage requirements and possible arbitrage earnings, a copy of which is attached hereto as Exhibit “B.” 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 engage Arbitrage Compliance Specialists to perform the necessary review of the District’s Series 2010 Refunding Bonds and to authorize the Board President to execute the engagement letter.

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 May 19, 2011 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending May 19, 2011, to approve the Investment Report, and to authorize payment of check numbers 5123 through 5125 from the Capital Projects Account and check numbers 7340 through 7373 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Adopt budget for fiscal year ending May 31, 2012.** Director Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2012, a copy of which is attached hereto as Exhibit "D." 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 budget for fiscal year ending May 31, 2012.

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 April 2011 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 97.4% of the District's 2010 taxes had been collected as of April 30, 2011. 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 1614 through 1624 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for April 2011, a copy of which is attached hereto as Exhibit "F." Mr. Mensik reported that 98.82% of the water pumped was billed for the month ending April 15, 2011.

Mr. Mensik recommended that the Board consider authorizing the construction of a second ground storage tank ("GST") at water plant no. two (West Lake Houston Parkway). Discussion ensued. Ms. Zapletal stated that she will ask the contractor for the water plant no. one (Rebawood) expansion whether they would honor their bid price for a new GST at water plant no. two.

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

8. **Approve Consumer Confidence Report.** Mr. Mensik presented to and reviewed with the Board the draft Consumer Confidence Report ("CCR"), a copy of which is attached to the Operations Report. 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 CCR and authorize distribution of same to District customers by July 1, 2011.

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

Construction Plan Review:

There are no projects with active capacity commitments.

Atascocita Shores Section 3, Reserves D and E3 (FM 1960 East at Atascocita Shores): Brown & Gay responded to a capacity inquiry from an potential buyer of these tracts. Brown & Gay advised the potential buyer that the allocation of capacity is based on available capacity at the time of the specific request for commitment. The gentleman was invited to submit a request for capacity, which may be for apartment construction.

Water Plant Expansion (Schier Construction):

Pay Estimate No. Four in the amount of \$189,567.00 has been reviewed and is recommended for approval and payment. The estimate includes payment for electrical work and yard piping for chemicals. Funds totaling 10% of the completed work have been withheld from payments to date (\$67,846.50).

The April 2011 shutdown for CenterPoint Energy went well. The shutdown originally planned for next week will be voluntarily delayed by the electrician until after the holiday weekend. The contractor knows the importance of scheduling with ST in advance of any shutdowns and also of getting the generator back online as quickly as possible.

Sanitary Sewer Rehabilitation, Phase IV:

Pay Estimate No. 10 in the amount of \$18,192.49 has been reviewed and is recommended for approval and payment. The estimate includes payment for manhole rehabilitation and testing. Funds totaling 1% of the completed work have been withheld from payments to date (\$20,784.13).

Maps provided by CenterPoint Energy do not show utilities in conflict with the proposed work. It will be the responsibility of the contractor to verify utility locations by requesting the locations from the utility companies.

The contractor submitted Change Order No. Two in the amount of \$13,260 to eliminate Manhole 44 at 20023 Pinehurst Place and join the two line segments without a manhole, install a new service connection, remove and repair the driveway and landscaping, and dewater using well points if necessary. The new pipe length between Manhole 43 and Manhole 45 will be approximately 250 feet.

ST received another call from Mrs. Rainbolt stating she is still waiting on an answer about her driveway. She indicated she was going to file a lawsuit if the District or someone representing the District does not call her to settle this. Brown & Gay previously sent Mrs. Rainbolt a letter in January 2011 via regular mail and certified mail, at which time the Board agreed with Brown & Gay's findings. Ms. Zapletal stated that calls made to Mrs. Rainbolt by Brown & Gay in January 2011 were not returned. The certified mail was acknowledged by Ms. Rainbolt on January 20, 2011 with her signature.

Brown & Gay will attempt to call her again and will send a second letter stating that no repairs will be made to her driveway at the District's cost.

Drainage Channel Review:

Brown & Gay responded to an email received from Ms. Lasater regarding the growth within the channel.

Regular monthly mowing and monitoring of select crossings is recommended. Included in the Capital Improvements Summary are estimates for channel bottom de-silting, rehabilitation, and repair of slope pavement and for regular maintenance of the 20 acres once the rehabilitation is complete (monthly mowing and debris removal, two annual over-seedings, and two fertilizations). The costs were estimated by Champions Hydro-Lawn, who requested to present its company and any proposals when the Board receives such from prospective maintenance contractors.

Mr. Mensik reported that Stuckey's previously submitted a proposal to the District in November 2011 for ongoing mowing and maintenance of the golf course drainage channel (from Rebawood to Legend Oak). Mr. Mensik stated that Stuckey's proposed 1) to maintain and trim all vegetation on both sides of the west end of the ditch and the south side of the east end of the ditch (\$26,000), 2) to apply a herbicide application to aquatic growth in the water along the channel banks (\$1,250), and 3) to inspect the drainage channel quarterly (includes report) and address any issues related to the channel (\$2,000). 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 Stuckey's to perform the maintenance and mowing at the drainage ditch for an annual cost of \$29,250.

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. 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 April 2011 indicates an average daily flow of 4.14 mgd (or 253 gpd/ESFC). There was no measureable rainfall for the month of April 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 Holder, 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. Four in the amount of \$189,567 in connection with the Water Plant Expansion and to approve and authorize payment of Pay Estimate No. 10 in the amount of \$18,192.49 and Change Order No. Two in the amount of \$13,260 in connection with Phase IV of the Sanitary Sewer Rehabilitation.

10. **Review and authorize capacity commitment letters.** There have been no capacity commitment requests since the last meeting.

11. **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 “G.”

Diversion Swale and Berm for Kings River Estates, Section Four

Pay Estimate No. Five in the amount of \$33,682.40 has been reviewed and is recommended for approval and payment. The estimate includes payment for storm sewer pipe, box culvert, channel and swale excavation, and remobilization. Funds totaling 10% of the completed work have been withheld from payments to date (\$18,559.57).

Harris County issued a permit to the contractor on May 17, 2011 to allow for the replacement of a portion of Kings River Drive due to the void that was discovered and for the stabilization of the 36-inch storm sewer. The contractor is making an effort to schedule the crew and equipment to return next week. Upon further review of the contract bid items, a bid item was identified for payment for the work.

Director House requested that Ms. Zapletal respond to a resident complaint regarding the swale and berm project.

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. Five in the amount of \$33,682.40 in connection with the Diversion Swale and Berm for Kings River Estates, Section Four.

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

Brown & Gay received an email from Brian Clary, the resident at 20710 Kings Crown Court, regarding the work still to be corrected at and under his driveway. Regardless if the contractor remobilizes for the other project next week, Brown & Gay requests authorization to issue written notice to C.E. Barker that, if work to correct this with a permanent and acceptable condition does not commence on or before June 6, 2011, the District will have ST make the repairs and deduct all expenses incurred from any future payments to C.E. Barker. This should give C.E. Barker enough time to start and finish by that date.

Brown & Gay will not release final payment on the Diversion Swale and Berm project until the warranty inspection punchlist items have been addressed.

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 Brown & Gay to issue notice to C.E. Barker and to coordinate with ST to complete the work if the conditions are not satisfied by C.E. Barker.

12. **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 ideas for the for the next quarterly newsletter, which will probably be distributed in mid-summer.

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 June 16, 2011.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)