

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 18, 2011

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132

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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 August 18, 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 House. 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. Julia McCain of McCall Gibson Swedlund Barfoot, PLLC, the auditor for the District; and Ms. Jana Cogburn 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 July 21, 2011, previously distributed to the Board, were presented for approval. Upon motion by Director Stine, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of July 21, 2011, as presented.

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

3. **Approve audit for fiscal year ended May 31, 2011.** 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, 2011, a copy of which is attached hereto as Exhibit "B." In response to a question, Ms. Cogburn explained premium compound interest bonds. Upon motion by Director Stine, seconded by Director Lentz, 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, 2011.

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 August 18, 2011 and the Investment Report, copies of which are attached hereto as Exhibit "C." The Board asked Ms. Conley and Mr. Mensik to obtain more information about the payments to Harris County MUD No. 153 for water service. 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 accept the Bookkeeper's Report for the period ending August 18, 2011, to approve the Investment Report, and to authorize payment of check numbers 5131 through 5133 from the Capital Projects Account and check numbers 7441 through 7472 from the Operating Account, all as listed in the Bookkeeper's Report.

In response to a question, Mr. Mensik agreed to research the detail for the builder deposits.

In response to a question, Ms. Zapletal stated that the time and travel for the hydro-pneumatic tank inspection was high because the tank was fabricated in Abilene, Texas.

5. **Adopt Resolution Reviewing Investment Policy.** Ms. Cogburn presented to the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "D." Discussion ensued. The Board requested that Ms. Conley check with the USAA in San Antonio and whether the District should include such bank on the List of Authorized Brokers. Discussion ensued regarding the elimination of Collateralized Mortgage Obligations as an authorized investment in the Investment Policy. Directors Stine and Lentz stated that they will provide comments on the Investment Policy. Ms. Conley noted that the List of Authorized Brokers was revised to include the Bank of Fort Bend. Upon motion by Director Stine, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the revised List of Authorized Brokers.

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 July 2011 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 98.4% of the District's 2010 taxes had been collected as of June 30, 2011. Upon motion by Director Lentz, 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 1647 through 1655 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Mr. Keefe noted that the 2011 tax values were certified on August 17, 2011.

7. **Approve Addendums to Contract with Bob Leared Interests, Inc. (for SPA related matters and appointment of Brenda McLaughlin as District tax assessor).** The Board reviewed the Addendums to the District's contract with Bob Leared Interests, Inc. appointing Brenda McLaughlin as District's Tax Assessor-Collector (in addition to Bob Leared) and addressing the billing in connection with billing for matters in connection with the District's Strategic Partnership Agreement. Upon motion by Director Stine, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to

approve and authorize the execution of the Addendums to the District's contract with Bob Leared Interests, Inc.

8. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for July 2011, a copy of which is attached hereto as Exhibit "G." Mr. Mensik reported that 94.71% of the water pumped was billed for the month ending July 15, 2011.

Discussion ensued regarding the District's Drought Contingency Plan. It was the consensus of the Board that the District begin voluntary water conservation whereby residents only water yards during the hours of 8 p.m. and 6 a.m. on designated days (odd/even according to resident's address). The Board requested that ST place three signs in the District notifying residents of the voluntary water conservation and include a message on the next water bill, and that Ms. Wynn place a message on the District's website.

Mr. Mensik reported that the gate on the fence at the West Lake Houston Parkway water plant is sagging. Mr. Mensik stated that the fence was originally installed by FenceCrete. Mr. Mensik stated that he will contact FenceCrete to discuss repair of the fence (including possibility of installing steel posts) and Mr. Mensik and Ms. Zapletal will contact Director Lentz regarding proceeding with the appropriate course of action to repair the fence.

Discussion ensued. It was the consensus of the Board that Ms. Cogburn contact the District's financial advisor to inform her that the Board plans to transfer \$500,000 from their general fund to help lower the District's tax rate.

Upon motion by Director Lentz, 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.

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:

There are no projects with active capacity commitments.

La Quinta Inn (6909 Atascocita Road): The recent re-submittal still shows a conflicting plumbing layout than the original plans and does not incorporate comments from ST submitted in September 2010. Brown & Gay will continue coordinating plan approvals with the owner and ST.

Car Wash by HEB: Brown & Gay returned the engineer's calls three times without a response. A capacity commitment request has not yet been submitted.

Atascocita Shopping Center (7920 FM 1960 East): Brown & Gay requested a plumbing sketch for an additional ¾" meter requested to supplement the existing water service.

Water Plant Expansion (Schier Construction):

Pay Estimate No. 7 in the amount of \$158,625 has been reviewed and is recommended for approval and payment. The estimate includes partial payment for completion of booster pumps, yard piping, coatings on the Hydro-Pneumatic Tank ("HPT") and the ground storage tank ("GST"), cathodic protection for the GST, and electrical improvements. Funds totaling 10% of the completed work have been withheld from payments to date (\$108,302.50).

ST is coordinating the regulator repairs and the generator load test. The new GST and HPT at Water Plant No. 1 on Rebawood are online. The work on the overflow weir in the existing GST and the inspections of the GST and the older HPT will be delayed until September or October 2011, unless the water demand drastically subsides soon.

Schier has submitted shop drawings for the GST at Water Plant No. Two on West Lake Houston Parkway. The paint color will be chosen in the field to match the existing blue-gray piping color as close as possible, unless otherwise chosen by the Board.

Brown & Gay updated the District's insurance for the value added at Water Plant No. One. Brown & Gay will also provide a future update when the GST is completed at Water Plant No. Two.

Sanitary Sewer Rehabilitation, Phase IV:

Pay Estimate No. 12 and Final in the amount of \$20,916.73 has been reviewed and is recommended for approval and payment. The pay estimate includes payment for the release of retainage.

Capital Improvements Summary:

The Capital Improvements Summary is attached to the Engineer's Report. The work at Water Plant No. One on Rebawood is substantially complete. The District's five facilities are ready for ST's maintenance review to proceed. An in-depth review will be presented at the time of the site visit meeting scheduled by the Board. The updated Capital Improvements Summary will be presented when ST's meter replacement cost estimates and plant maintenance reviews are available.

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. Ms. Zapletal stated that the current numbers are not yet available.

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

Upon motion by Director Lentz, seconded by Director Stine, 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. Seven in the amount of \$158,625 and confirm the paint color at Water Plant No. Two (to match the existing blue-gray piping color) in connection with the Water Plant Expansion, and to approve and authorize payment of Pay

Estimate No. 12 and Final in the amount of \$20,916.73 in connection with the sanitary sewer rehabilitation phase four.

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. Seven in the amount of \$56,833.63 has been reviewed and is recommended for approval and payment. Funds totaling 10% of the completed work have been withheld from payments to date (\$27,478.67). The pay estimate includes payment for slope paving, rip-rap, the lake overflow, and the 5’x3’ RCB storm sewer completion.

Upon motion by Director Lentz, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize payment of Pay Estimate No. Seven in the amount of \$56,833.63 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.)

All parties met with Mr. Clary and his irrigation company at 20710 Kings Crown Court on August 10, 2011. The system was turned off at the meter, and it was determined that the previous repair by the contractor addressed the leak. The system was turned off for two days. After running the system on August 12, 2011, water from an irrigation head bubbled up at the construction joint on the left-hand side of the driveway and excess irrigation runoff drained down the driveway. The driveway was inspected again on August 15, 2011 after the resident returned to normal irrigation schedules. Photos of each visit are attached to the Engineer’s Report.

The next steps are as follows:

- CE Barker was given until August 18, 2011 to commit to a date to address the existing stain on the driveway and possible void under the driveway caused by the previous leak. Since no date was committed by CE Barker, Brown & Gay will advise ST to proceed with replacement and will deduct the back-charge from the contractor’s future payment. The header to be installed shall be a street-type header sealed with epoxy to help prevent excess runoff from reaching the steel reinforcement.
- Brown & Gay will advise the resident of ST’s schedule and will advise that the replaced area of the driveway will contain steel. Without reduction of water runoff from the irrigation system, the staining could return in the future.

Brown & Gay will not release final payment on the Diversion Swale and Berm project until this issue is resolved.

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

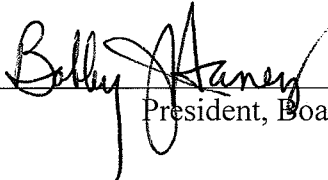
Ms. Wynn reported that Texas Network is in the process of finalizing the redesign of the District's website and has updated the website to include rain fall amounts and the direct payment form. Ms. Wynn noted that the quarterly newsletter has been distributed. Ms. Wynn noted that Texas Network has requested current pictures to include on the website. Ms. Wynn and Mr. Keefe reviewed with the Board a proposal from MK Photography to produce 20 photographs for the District's website, a copy of which is attached hereto as Exhibit "I." Upon motion by Director Lentz, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposal from MK Photography and authorize payment of \$400 to MK Photography for 20 photographs for the District's website.

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 September 15, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

