

MINUTES OF MEETING OF BOARD OF DIRECTORS  
February 20, 2014

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 Atascocita Library, 19520 Pinehurst Trail Drive, Humble, Texas, 77346, on February 20, 2014 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

Tim Stine, President  
Don House, Vice President  
Jerrel Holder, Secretary  
Lloyd Lentz, Assistant Secretary  
Michael Whitaker, Assistant Secretary

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. Karrie Kay of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Larry Jones of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Mr. Matt Froehlich of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Ms. Nikki Wynn, Communications Program Consultant; Ms. Laura Lammers and Mr. Anthony Karasciewicz of the Atascocita Community Improvement Association (“*ACIA*”); and Ms. Jana Cogburn and Ms. Emerald Lagow of Fulbright & Jaworski LLP (“*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 meetings of January 16, 2014 and January 30, 2014, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of January 16, 2014, as presented.

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

3. **Presentation of the ACIA Comprehensive Plan by Ms. Laura Lammers.** Director Lentz introduced Ms. Lammers, Vice President of the ACIA, who presented to the Board the ACIA Comprehensive Plan, a copy of which is attached hereto as Exhibit “B.” Director Lentz noted that at his request, the ACIA had prepared a 3 year plan and budget for community improvements for the Board to review and consider for potential financial participation. It was noted that the plan is a request for funding, and not up for action by the Board at this time. In response to a question from Director Whitaker, Ms. Lammers stated that the plan proposes a total District participation in the amount of \$329,950. It was noted the ACIA encompasses areas not within the boundaries of the District. Discussion ensued regarding the potential to allocate financial responsibility based on demographic information and the area

benefitting from the facilities. It was the consensus of the Board to review the plan and consider action at a later meeting.

4. **Review Bookkeeper's Report and Investment Report.** Ms. Kay presented to and reviewed with the Board the Bookkeeper's Report for the period ending February 20, 2014, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "C." In response to a question from the President, Ms. Kay confirmed receipt of the July SPA payment, and noted the payment would be included in the report for the next meeting. The President directed Ms. Kay to reflect that the "miscellaneous" operating revenue in the amount of \$17,240.58, as shown in the Operating Budget, is from the adjusted water repair invoice paid by Dunphey Petroleum. 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 February 20, 2014, to approve the Investment Report, and to authorize payment of check numbers 8457 through 8477 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Discuss cash defeasance of bonds.** Ms. Moran presented to and reviewed with the Board a summary of outstanding bonds, and analyses of three cash defeasance scenarios, copies of which are attached hereto as Exhibit "D." Ms. Cogburn reminded the Board that the District does not have authorization to issue bonds, and therefore needs to maintain a reasonable reserve for capital items. In response to a question from Director Stine, Ms. Cogburn noted that the District's last bond election failed. Ms. Moran noted that the District could defease bonds in increments of \$300,000 over time. It was the consensus of the Board to discuss this item at the meeting next month.

6. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe reported that Bob Leared Interests is requesting approval to move the Tax Account to Wells Fargo Bank due to Comerica's recent institution of various fees. Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Report and a list of the top Delinquent Taxpayers, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 96% of the District's 2013 taxes had been collected as of January 31, 2014. Upon motion by Director Whitaker, 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, to authorize payment of check numbers 1121 through 1129 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Adopt Resolution Designating Out-of-District Meeting Locations and Authorize Publication thereof.** Ms. Cogburn noted that the Board must designate an "out-of-District meeting location" as such and publish notice of the same, if the Board wants to use such location for meetings. Ms. Cogburn presented to the Board the Resolution Designating Out-of-District Meeting Locations, a copy of which is attached hereto as Exhibit "F." 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 adopt the Resolution Designating Out-of-District Meeting Locations, thereby designating the offices of Fulbright & Jaworski LLP, ST Environmental Services, Inc., Brown & Gay Engineers, Inc. and Rosemont Assisted Living Center as Out-of-District Meeting Locations.

8. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of January 2014, a copy of which is attached hereto as Exhibit "G." Mr. Jones reported that 91.27% of the water pumped was billed the period ending January 23, 2014. Mr. Jones requested permission to turn over

five accounts in the aggregate amount of \$1,005.38 to collections and to write off three accounts in the aggregate amount of \$19.17. In response to a question from the Board, Mr. Jones stated the recent disparity between billed and pumped accountabilities is a result of the repeated leaks. 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 Operations Report, to authorize termination of service to the delinquent accounts and to authorize turning over five accounts in the aggregate amount of \$1,005.38 to collections and writing off three accounts in the aggregate amount of \$19.17.

9. **Authorize Second Amendment to Emergency and Interim Water Supply Contract with HCMUD No. 152.** Ms. Cogburn reviewed with the Board the Second Amendment to Emergency and Interim Water Supply Contract with HCMUD No. 152, a copy of which is attached hereto as Exhibit "H." The President stated that the method for calculating the water supplied needs to be revised to be based on the operator's estimate. The Board directed F&J to revise the Amendment for consideration at a future meeting.

10. **Engineer's Report.** Mr. Froehlich 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:

Commercial Plan Reviews

Brown & Gay investigated the construction activity behind Tin Roof BBQ at 6909 Atascocita Road. The construction is for a La Quinta Inn & Suites, which the Board had reviewed and approved the plans for several years ago. The contractor resubmitted plans and Brown & Gay confirmed there have been no significant changes from the approved set.

Brown & Gay was contacted by Paragon Solutions, engineer for a proposed two story motel on FM 1960 across from Lift Station No. 1 that was issued a capacity commitment in May of 2013. Brown & Gay received and is in the process of reviewing their plans.

Storm Sewer Video Inspection and Maintenance:

Brown & Gay completed review of the remaining video inspection and prioritized defects into categories. Brown & Gay is working with the contractor on conceptual pricing for rehabilitation scenarios. Brown & Gay will compile the information and present options to the Board at the next meeting.

Harris County Precincts 2 and 4 Storm Sewer Maintenance:

Brown & Gay sent letters on behalf of the District to Precincts 2 and 4 requesting confirmation of their sewer maintenance responsibility, copies of which are attached to the Engineers Report. Brown & Gay received a call from Precinct 4, who would not formally respond based on the map the District provided, but confirmed that they will take action in the event that they are contacted regarding a storm sewer or paving issue in the public right-of-way. Brown & Gay has not heard back from Precinct 2.

President Stine noted that the map of Precinct 4 appears to include parts of Precinct 2. Mr. Froehlich stated Brown & Gay would verify and revise the map as needed.

Annual Tank Inspections:

The Board previously reviewed options for replacing the HPT at Water Plant No. 2. Brown & Gay has since preformed ultrasonic readings to assess the condition of the two older HPT's at Water Plant No. 1, and both are in good condition. Brown & Gay is coordinating with ST to drain and inspect the interior of the HPT at Water Plant No. 1 early next week.

Brown & Gay solicited three bids to relocate the newest HPT from Water Plant No. 1 to Water Plant No. 2 and to install the new 20,000 HPT at Water Plant No. 1. The results are as follows:

1. Schier Construction Company, Inc. - \$58,800
2. Tidal Construction Inc. - \$67,500
3. Gemini Contracting Services, Inc. - \$73,600

The lowest bidder, Schier Construction Company, was already familiar with project as a result of having performed work on the plant in 2010.

Brown & Gay solicited three bids directly from tank manufacturers to manufacture and deliver the new 20,000 gallon HPT to Water Plant No. 1. The results are as follows:

4. Bulldog Steel Products, Inc. - \$56,823 (16-18 weeks)
5. Holloway Company, Inc. - \$61,577 (10-12 weeks)
6. Acme Welding and Fabricating, Inc. - \$111,419 (12-14 weeks)

It was noted that although Bulldog Steel Products, Inc. was the low bidder, Holloway Company, Inc. can deliver the tank 6 weeks earlier.

Brown & Gay sent and received approval of an "emergency" project from the TCEQ, copies of which are attached to the Engineers Report. The request was sent in the event that none of the solicited bids received were below the \$75,000 threshold for public advertisement of the contract.

Director House noted that with a 12 week replacement time, the tank would be finished before summer demand, rendering the relocation of the tank from water plant No. 1 unnecessary. Mr. Froehlich stated that if the tank at Water Plant No. 2 fails before it is replaced, the failure could be catastrophic. Discussion ensued regarding expediting delivery of the tank and when to decide where to locate the new tank.

The Board directed Mr. Froehlich to obtain a quote from Schier Construction Company, Inc. for installation only, without relocating the tank from Water Plant No. 1, and to communicate with Holloway Company, Inc. regarding the possibility of expediting the project by a reasonable amount of time for an increase in the contracted amount of up to 5% of the bid price. 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 award the contract for purchase of the tank to the Holloway Company, Inc., to authorize the engineer to negotiate with Holloway Company, Inc. to expedite delivery of the tank for an increased price of up to 5%, and to defer the decision on relocating the existing tank.

Restroom at Water Plant No. 2

Brown & Gay prepared a site layout with proposed location and a schematic for constructing a new restroom/office building with shower at Water Plant No. 2. Brown & Gay estimates construction costs at \$60,000-\$65,000. With the Board's authorization, Brown & Gay will prepare a bid package and solicit three (3) bids for construction of the building.

The Board deferred action on this item pending resolution of the HPT project at Water Plant No. 2.

Drought Contingency Plan and Water Conservation Plan:

Brown & Gay is reviewing the current TCEQ requirements for Drought Contingency and Water Conservation Plans to determine whether revision or update to the District's plans is needed. Brown & Gay will coordinate with ST to complete the Water Conservation Implementation Report for submittal with the Water Conservation Plan.

KRE Ditch Maintenance Contract (Champions Hydro-Lawn):

Brown & Gay is not aware of any issues at this time.

Lift Station No. 1 (Shared 132, 151, 153) Connection Counts:

Updated connection counts for each district were provided at the July 2013 meeting. Brown & Gay will review and update the counts on an annual basis.

Capital Improvement Plan ("CIP"):

The CIP for Atascocita Joint Operations Board ("AJOB") had been added, and that the CIP had been revised to include the District's share of AJOB's two upcoming projects, and the HPT replacement at Water Plant No. 2. A copy of the revised CIP is attached to the Engineers Report.

Atascocita Joint Operations Board:

The Engineer's Report for February is attached.

At its January meeting, AJOB authorized Brown & Gay to prepare a bid package for reconfiguring and replacing the non-potable water pump system and installing a baffle plate at the outfall structure of the WWTP. The non-potable system will eliminate mechanical issues with the existing pumps for more efficient and dependable operation, and the baffle plate will promote mixing of the effluent before discharge, decreasing the amount of disinfection required. Brown & Gay obtained a quote for the baffle plate (under \$25,000) and solicited three bids for the non-potable system and presented them to AJOB at their meeting this past Tuesday. AJOB awarded the contracts to Preventive Services for \$17,500 and All-Pump & Equipment for \$48,000, respectively.

E-mail communication with the AJOB Operator confirmed that no odor complaints were received during the month of December 2013 and January 2014.

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.

11. **Authorize award of contract for construction of restroom at Water Plant No. 1.** This item was addressed under the Engineers Report.

12. **Ratify award of contract for purchase of hydro-pneumatic tank.** This item was deferred until the next meeting.

13. **Review and authorize capacity commitment letters.** Mr. Froehlich presented to and reviewed with the Board the request submitted for extension of the commitment to the La Quinta Inn & Suite. Mr. Froehlich stated that the previous capacity commitment was issued in March 2010 and extended in September 2011 for one year. While a tap and meter were installed and the associated fees have been paid, significant construction did not start until last month. Therefore, technically the commitment expired. Mr. Froehlich noted that the capacity remains the same. Upon motion from Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve extension of the capacity commitment to La Quinta Inn & Suites.

14. **Discuss and take any action in connection with District communications.** Ms. Wynn reviewed with the Board the usage statistics for the District web site, a copy of which is attached hereto as Exhibit "J." Ms. Wynn noted the key aspects of the report are the number of visits and the pages viewed. Ms. Wynn reported that she is drafting the description of the E-Payment process to be published on the website, and that Mr. Bynum is updating the sites contact information e-mail application to ensure accuracy. Ms. Wynn noted that the application Google Analytics will provide more information on site usage and will be used in the report next month.

15. **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 20, 2014 .

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors

(DISTRICT SEAL)