

MINUTES OF MEETING OF BOARD OF DIRECTORS  
AUGUST 27, 2015

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 special session, open to the public, at The Overlook, 20114 Pinehurst Drive, Atascocita, Texas, 77346, on August 27, 2015 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, except for Director Whitaker. Also attending all or parts of the meeting were Ms. Lina Loaiza 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. Matthew Froehlich of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Noel Barfoot of McCall Gibson Swedlund Barfoot PLLC, auditor for the District; Mr. Michael Swartz and Ms. Emerald Lagow of Norton Rose Fulbright US LLP ("NRF"), 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 regular meeting of July 16, 2015, 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 July 16, 2015.

2. **Receive comments from the public.** There were no comments from the public.

3. **Approve and authorize filing of Annual Report of Financial Information and Operating Data.** This item was deferred to the next meeting.

4. **Review Bookkeeper's Report, authorize payment of bills and approve Investment Report.** Ms. Kay presented to and reviewed with the Board the Bookkeeper's Report dated August 27, 2015, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "B."

Ms. Kay reported that Harris County Municipal Utility District No. 153 has paid the invoice for their share of lift station maintenance expenses.

Ms. Kay noted that a summary of the District's Strategic Partnership Agreement ("SPA") revenue has been included in the Bookkeeper's Report.

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, to approve the Investment Report, and to authorize payment of check numbers 9040 through 9072 from the Operating Account, to the persons, in the amounts, and for the purposes stated in the Bookkeeper's Report.

**5. Approve audit for fiscal year ended May 31, 2015.** The President recognized Mr. Barfoot, who presented to and reviewed with the Board a draft audit for fiscal year ended May 31, 2015, a copy of which is attached hereto as Exhibit "C."

The President noted comments, including adding the redemption of \$300,000 of the Series 2006 Bonds on April 7, 2015, and revising the language describing the wastewater trunkline.

Discussion ensued regarding uncollectable delinquent damage charges. Mr. Barfoot stated that such charges are accounted for as an asset, unless the District has expensed or written off the account as uncollectible prior to the end of the fiscal year.

In response to a question from Director Lentz, Mr. Barfoot confirmed that "advanced funds" refers to the reserve amounts held for the District's Wastewater Treatment Plant and Force Main 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 approve the audit for fiscal year ended May 31, 2015, including the revisions noted by the Board, and to authorize filing of same with the Municipal Securities Rulemaking Board.

**6. Adopt Resolution Reviewing Investment Policy and accept related party disclosures.** The President recognized Mr. Swartz, who presented to the Board a Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "*Resolution*"), a copy of which is attached hereto as Exhibit "D."

Mr. Swartz noted that the District reviews its investment policy and updates the attached List of Authorized Brokers on an annual basis, and stated that there are no changes being recommended to the District's current policy. The Board agreed that no changes are needed at this time.

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 adopt the Resolution as presented.

**7. Review Tax Collector's Report and authorize payment of certain bills.** Ms. Loaiza presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "E." She noted that 99.3% of the District's 2014 taxes had been collected as of July 31, 2015.

Ms. Loaiza reported that the District's certified 2015 tax value is \$515,183,753, as provided by the Harris County Appraisal District, and noted the value represents a 6% increase over the previous year.

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 approve the Tax Assessor and Collector's Report and to authorize payment of check numbers 1091 through 1098 from the Tax Account to the persons, in the amounts, and for the purposes stated in the Tax Assessor and Collector's Report.

8. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of July 2015, a copy of which is attached hereto as Exhibit "F." Mr. Jones reported that 110.14% of the water pumped was billed for the period ending July 31, 2015.

Mr. Jones reviewed a summary of major maintenance performed at the District's Lift Station, Sewer Line, Water Line, and Water Plant facilities during the month.

Mr. Jones reported that ST opened the District's interconnect with Harris County Municipal Utility District No. 151 in response to calls from residents reporting little to no water pressure after a series of power failures.

The President noted that the values listed in the Operations Report for gallons pumped and billed are off, and Mr. Jones confirmed that he will review the calculations used to generate the report for errors.

Mr. Jones reported that fire hydrant repairs are complete.

Mr. Jones reviewed the delinquent list. In response to a question from Director Lentz, Mr. Jones confirmed that the owner of Chevron Lake Houston is on a payment plan, and that it will continue to be listed on their delinquent list for administrative purposes, but that the account is not considered delinquent as long as the payment plan continues to be met.

Discussion ensued regarding maintenance of the ditches in the Pinehurst section of the ACIA and golf course. Mr. Froehlich noted that the likely remedy to improve drainage in the area will be to convert the ditches into a series of detention ponds. The President stated that detention ponds attract mosquitos, and that he would prefer to reduce the number of ponds. Mr. Froehlich noted that the District could consider contracting a mosquito spray-company to mitigate the issue. The President noted that Ric Halbrook, President of ACIA, also inquired as to whom was responsible for maintenance of the ditches.

Director Holder noted that he requested that the operator include the District's website address on signs marking the entrances to the District.

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 Operations Report, and to terminate service to delinquent accounts in accordance with the District's rate order.

9. **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 "E" and which follows in substantially the form it was presented:

Commercial Plan Reviews

There were no commercial reviews this month.

Lift Station No. 1 Conversion

The contractor will soon mobilize to the site. BGE reviewed current connection counts for each District with capacity in Lift Station No. 1, which have remained the same as in 2014.

Water Plant No. 2 Building Addition

The contractor has mobilized to the site, and construction is underway. BGE is coordinating with the gymnastics facility to minimize disturbances to their over parking space.

Washout at Lake Houston/Atascocita Shores Drive

Mr. Froehlich reported that BGE submitted a service request regarding the washout along Atascocita Shores Drive along Lake Houston to Harris County Precinct 2, and received the same response as that from Harris County Flood Control ("HCFD"), that the washout was the responsibility of either the marina or the City of Houston (the "City").

Discussion ensued regarding the City's domain with respect to Lake Houston. Mr. Froehlich noted that he submitted a request to the City, who responded stating that Atascocita Shores Drive is not within its boundaries. He noted that he plans to call the city to follow up on this request.

Sinkhole behind 8307 Rebawood Drive

Director Stine and the Operator informed BGE of a sinkhole on the golf course along a stretch of 48" storm sewer running behind 20615 - 20711 Atascocita Shores Drive. The storm sewer is outside of the District, but within an easement and drains portions of the District. BGE reviewed the video from our storm sewer inspection in 2013-2014 and found no defects in the line at the time. In addition to the above, a sink hole was reported behind 8307 Rebawood.

Mr. Froehlich reported that the Operator will televise the line to determine whether the problem relates to District facilities. He stated that BGE will review the televising video and keep the Board informed of any updates.

Annual Tank Evaluations: No update.

| <b>Tank</b>    | <b>Next Inspection</b> | <b>Comments</b>   |
|----------------|------------------------|---|
| WP1 bolted GST | 2015 August            | 2014: Tank remained full; many internal coating defects; continue to monitor and evaluate rehab vs. replacement |
| WP1 welded GST | 2016 October           | 2015: Tank remained full; good condition  |
| WP1 HPT1       | 2016 February          | 2015: Exterior only. Noted interior coating defects in 2014; recommending internal recoat in next 1-2 years     |
| WP1 HPT2       | 2015 September         | 2014: Good condition; exterior inspection only  |
| WP1 HPT3       | 2016 February          | 2015: Exterior only. Noted interior coating defects in 2014; recommending internal recoat in next 1-2 years     |
| WP2 bolted GST | 2015 August            | 2014: Tank remained full; good condition  |
| WP2 welded GST | 2016 November          | 2015: Tank remained full; good condition  |
| WP2 HPT        | 2015 June              | 2014: New tank installed  |

Mr. Froehlich reported that BGE completed annual inspections of the bolted GSTs at WP1 and WP2, and will continue to monitor the condition of the interior coatings on the bolted GST at WP1. Mr Froehlich noted that BGE can evaluate rehabilitation and replacement options with the Board based on the tank's condition at the next full interior tank inspection in 2017.

Mr. Froehlich reported that BGE is coordinating with the Operator to drain and perform the one-year warranty inspection on WP2 HPT, and that BGE will prepare a report and review options for maintenance at the next meeting.

Capital Improvement Plan ("CIP"):

There are no changes to the CIP this month.

Atascocita Joint Operations Board ("AJOB"):

Mr. Froehlich reported that BGE presented an executive summary of the DryLet study at the last AJOB meeting. In summary, use of DryLet product resulted in a 30% reduction in sludge production, and a 43% reduction in polymer use. These reductions resulted in an estimated savings of just under \$80,000 when annualized. Dry Let is evaluating product pricing and will get back to AJOB.

8502 FM 1960

Mr. Froehlich reported that BGE followed up on the request from Mr. Zia Mohammadi, PE on behalf of the owner of 8502 FM 1960 for water and sewer service capacity to serve a two-story motel with 46 guest rooms and an estimated usage of 25 ESFCs. The District allotted 33 ESFCs to serve this tract and the Pine Echo Retail Center and that less than 25 ESFCs remains uncommitted.

The Board directed the engineer to inform the property owner that their capacity request exceeds the amount allotted for the area.

7110-7157 FM 1960: Atascocita Del Norte Shopping Center

BGE previously received a request from Mr. Lester Jones, PE on behalf of a developer who is planning to renovate and repurpose a portion of the Atascocita Del Norte Shopping Center, a map of which is attached the Engineer's Report. He is requesting a water and sewer service capacity commitment for an estimated 40 ESFCs. The District previously committed 18 ESFCs to this shopping center.

Mr. Froehlich reported that, based on total occupancy for the building, BGE estimated future capacity usage to be 26 ESFCs. The Board asked the engineer to have Mr. Jones provide detail work with respect to the 40 ESFC capacity request, and that the current request exceeds the amount allotted for the area.

Harris County Municipal Utility District No. 494 ("No. 494") acquisition of capacity

HCMUD 494 sent the District payment in the amount of \$24,579 for the 2012 and 2014 wastewater conveyance capacity purchases outlined in the Second Amended and Restated Sanitary Sewer Line Contract dated December 1, 2012 (the "Sewer Line Contract"). Along with the payment is a form for the District to execute to confirm the capacity transfer.

Mr. Froehlich reported that No. 494 sent the District a letter and check to purchase 22,000 gallons per day of wastewater transmission capacity in the segment of Atascocita Road wastewater trunk line owned by the District for \$24,579, copies of which are attached hereto as

Exhibit "E." He stated that payment is based on the 2012 and 2014 wastewater conveyance capacity purchases outlined in the Sewer Line Contract, and that other districts involved in the sale of capacity to No. 494 have raised concerns that No. 494 is purchasing capacity at rates lower than the current rate would be for such capacity.

Mr. Swartz noted that the Contract provided No. 494 an option to purchase capacity in each of 2012 and in 2014, which options have since lapsed. He noted that other districts have proposed extrapolating a rate between the 2014 and 2016 rates outlined in the Contract in order to establish a current rate for the sale of capacity. Mr. Froehlich stated that the difference between the payment submitted by No. 494 and payment for capacity at the interpolated 2015 rate is approximately \$1,500. Discussion ensued. It was the consensus of the Board to send a letter to No. 494 returning the check and proposed Assignment of Trunkline Capacity, and requesting payment at the extrapolated rate for 2015.

Discussion ensued regarding the water well outage and power issues at the District's Water Plant. Mr. Jones noted he will meet with Alsay Pump & Equipment Co. next week to review estimated hourly rates for well inspection.

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.

**10. Review and authorize capacity commitments, including Assignment of Trunkline Capacity to Harris County Municipal Utility District No. 494.** This item was addressed under the Engineer's Report.

**11. Authorize Execution of Recreational Facility Agreement.** There was no action on this item.

**12. Adopt Order Adopting Rules Establishing Standards of Recreational Facilities.** There was no action on this item.

**13. Discuss and take any action in connection with District communications.** There was no action on this item. There was no action on this item.

**14. Other matters.** There were no other matters.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned at 7:56 p.m.

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The above and foregoing minutes were passed and approved by the Board of Directors on September 17, 2015.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

