

MINUTES OF MEETING OF BOARD OF DIRECTORS
APRIL 21, 2016

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 Overlook, 20114 Pinehurst Drive, Atascocita, Texas, 77346, on April 21, 2016 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 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. Matt Froehlich and Mr. Jorge Bustamante of Brown & Gay Engineers, Inc. ("*Brown & Gay*"), engineers for the District; and Ms. Kathleen Ellison and Ms. Brenda Presser 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 meeting of March 17, 2016, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 17, 2016.

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

3. **Engage auditor for fiscal year ending May 31, 2016.** Ms. Ellison reported the District previously executed an engagement letter for auditing services for fiscal years ending 2015 and 2016. She stated that no action is required at this time.

4. **Review Tax Collector's Report and authorize payment of certain bills.** The President recognized Ms. Loaiza, who presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." She noted that 97.3% of the District's 2015 taxes had been collected as of March 31, 2016. The President asked about Item IV(2) on the delinquent tax attorney portion of the report, which states that the bankruptcy case of KDH DASH Enterprises, Inc., which owes \$920.12 on a personal property account, has been closed.

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 1148 through 1154 from the

Tax Account to the persons, in the amounts, and for the purposes stated in the Tax Assessor and Collector's Report.

5. Review Bookkeeper's Report, authorize payment of bills and approve Investment Report. The President recognized Ms. Kay, who presented to and reviewed with the Board the March Bookkeeper's Report that was deferred at the last meeting. She then presented the Bookkeeper's Report as of April 21, 2016, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "C."

President Stine discussed a charge on Myrtle Cruz's invoice for providing documents to Arbitrage Compliance Specialists ("ACS") for ACS' review of arbitrage rebate compliance. Ms. Ellison said she would check on the District's upcoming requirements for arbitrage compliance reports.

Ms. Kay next reported that rates have improved at TexPool. Discussion ensued regarding past experiences with TexPool and investment options. Ms. Kay recommended transferring \$200,000 from a Certificate of Deposit that is maturing on April 22, 2016 to TexPool.

Upon motion by Director Whitaker, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Reports for March and April, to approve the Investment Report, and to authorize payment of check numbers 9257 through 9259 and 9279 through 9327 from the Operating Account, all as listed in the April Bookkeeper's Report.

6. Review budget for fiscal year ending May 31, 2017. President Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2017, a copy of which is attached hereto as Exhibit "D". Mr. Froehlich discussed the need to blast and recoat the vaulted ground storage tank and hydrotanks at Water Plant No. 1. Mr. Jones said that the cost for storm sewer repairs and televising should be lower in 2017 than 2016. The Board discussed adding the Kings River project to the budget and increasing the capital reserve by \$1 million. Director Lentz asked that the storm and sanitary sewer categories be separated.

Director Whitaker asked about a plan to replace water lines. The Board then discussed the need for long-term planning. They discussed organizing additional meetings to discuss water line replacement and a capital improvement plan. Following discussion, the Directors deferred a vote on the budget until the next meeting.

7. Operations Report. Mr. Jones presented to and reviewed with the Board the Operations Report for the month of March 2016, a copy of which is attached hereto as Exhibit "E." Mr. Jones reported that 95.23% of the water pumped was billed for the period ending March 29, 2016.

Mr. Jones reviewed the delinquent list with the Board and noted there are 52 delinquent accounts. He also reported that ST will no longer provide names and addresses of delinquent customers to comply with a Utility Code requirement on confidentiality of personal information.

Mr. Jones reported that the District received \$23,000 on an insurance claim related to a faulty transfer switch at Water Plant No. 2.

Mr. Jones reviewed with the Board an email from a District customer requesting an adjustment on her water bill. He reported the customer said she relocated and the post office did not forward the water bill to her forwarding address. Following discussion, the Board declined to grant an adjustment.

Mr. Jones said it has been five years since the District had a sanitary sewer manhole survey. He suggested the manholes be put in a GIS system which the engineers can access. The Board decided to add \$40,000 to the budget for the project.

Mr. Jones said the City of Houston had accepted responsibility for the outfall problems at the intersection of Atascocita Shores and Atascocita Point and at the intersection of Atascocita Shores and FM 1960.

Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance to the District's Rate Order.

8. **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 "F" and which follows in substantially the form it was presented:

Mr. Froehlich reported on the Lift Station No. 1 conversion project. He said there had been an overflow due to the heavy rainfall on April 18. He said the contractor is waiting for a Tideflex valve, which needs to be installed on the force main discharge in order to run the new pumps at full capacity. He said the contractor is working on the brick fence and pavement.

Mr. Froehlich reported Water Plant No. 2 construction is complete. He then presented and recommended approval of Pay Estimate No. 8 from Schier Construction in the amount of \$15,390.00. He also presented and requested approval of Change Order No. 3, for a net increase in the contract, in the amount of \$9,500.00 for replacement of the chemical building doors at the request of the Operator. Director Lentz suggested that photos of the plant be put on the website.

Mr. Froehlich updated the Board on King's River Drive roadside ditch and reported that he met with Pat Myers of Southern Texas Utilities at the site, and Mr. Myers is preparing an estimate for both installing a guard rail or installing a storm sewer and backfilling to grade.

Mr. Froehlich reported that bids were solicited for the paving improvements at the Atascocita Joint Plant; however, only one bid was received and it exceeded the bidding requirements for solicitation of bids. He stated that he will seek additional contractors to determine if the project can be constructed for an amount under \$75,000.

Director Stine inquired about an update on Magnolia Bend and Mr. Froehlich reported that he has not heard back from the City of Houston.

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: (1) the Engineer's Report; (2) Pay Estimate No. 8 from Schier Construction in the amount of \$15,390.00 for Water

Plant No. 2 construction; and (3) Change Order No. 3 in the amount of \$9,500.00 for replacement of chemical building doors for Water Plant No. 2.

9. **Review and authorize capacity commitment letters.** Mr. Froehlich stated that Brown & Gay did not receive any new capacity commitment requests this month.

10. **Discuss Hurricane Preparedness.** President Stine asked Mr. Jones if ST was prepared for hurricane season. Mr. Jones stated that now that there is a building in the District in which ST operations personnel can stay overnight, ST will have operations personnel stationed at the building in the event of an expected event. Director Whitaker asked Mr. Jones to talk to Centerpoint about the reliability of natural gas supply for the backup generators. The Board then discussed placing signs in the District indicating whether water can be used. The President asked the directors to notify the Board if they would be out of town.

11. **Discuss and take action on proposed ACIA Amenities.** Director Lentz said the ACIA wants to redo the tennis courts. He said that project should be handled separately from the District's project with ACIA. Director Lentz said he wants to finalize a contract in May.

12. **Discuss and take any action in connection with District communications.** The President said the District had received an inquiry about a ditch from Ginger and Paul Gordon and that ST looked at the site. Discussion ensued regarding hits on the web site. Ms. Ellison suggested requesting a report of activity over the past year. Director Holder asked that NRF provide him with the Order Cancelling the Directors Election to post at the library.

13. **Other matters.** No other matters were presented or discussed by the Board.

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 May 21, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

