

MINUTES OF MEETING OF BOARD OF DIRECTORS
MAY 19, 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 May 19, 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 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. **Qualify Directors and election of officers.** Certificates of Election were presented for Directors Whitaker, Holder and Lentz, and it was noted that each candidate has executed his Oath of Office and Statement of Elected Officer and is qualified to serve on the Board. 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 accept the Certificates of Election for Directors Whitaker, Holder and Lentz and to retain the current slate of officers.

2. **Authorize execution of letter regarding disclosure of Director Information.** Ms. Ellison reviewed with the Board a letter regarding disclosure of Director information. She stated that individual Directors may execute the letter in order to keep certain details of their personal information from being disclosed to the general public. 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 execution of the letter regarding disclosure of Director information.

3. **Minutes.** Proposed minutes of the meeting of April 21, 2016, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of April 21, 2016.

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

5. **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 97.8% of the District's 2015 taxes had been collected as of April 30, 2016 and 98.1% as of today.

Director Stine discussed a delinquent tax account, from last month's Delinquent Tax Report, for a business whose bankruptcy case has been closed. He inquired about collection of the outstanding, unpaid taxes. Ms. Ellison said the delinquent tax attorney had explained that a new owner who bought the business may be liable for unpaid taxes, and the delinquent tax attorney was checking to see if that is the case and taxes can be collected from the new owner. Ms. Loaiza stated that the District's tax delinquent tax attorney will pursue unpaid accounts by filing claims for payment with the bankruptcy court on behalf of the District. No action was requested of the Board following this discussion.

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 and to authorize payment of check numbers 1155 through 1157 from the Tax Account to the persons, in the amounts, and for the purposes stated in the Tax Assessor and Collector's Report.

6. **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 Bookkeeper's Report as of May 19, 2016, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "C."

Ms. Kay stated that \$90.00 was transferred from the Debt Service Fund to the General Operating Fund to pay an invoice from Arbitrage Compliance Specialists for annual compliance management of the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2010.

Ms. Kay noted receipt of a check in the amount of \$23,134.00 from Chubb Insurance. Mr. Jones stated the payment is for a claim submitted for a faulty transfer switch at Water Plant No. 2 that was damaged during recent storms.

Ms. Kay next discussed investment options with local government investment pools (TexPool (regular), TexPool Prime, and TexStar) and certificates of deposit with banks. The Board reviewed and discussed current investments, rates, and available funds for investment. Following discussion, the Board directed Ms. Kay to keep 250,000 in its checking account and \$250,000 in its demand deposit account and invest the remainder in the local government investment pools and certificates of deposit with the highest yields. The Board requested the Ms. Kay include on her report monthly tracking of rates for the local government investment pools.

Director Stine next reported he was designing a new format for the annual energy report required to be posted on the District's web site.

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

Reports for May, to approve the Investment Report, to authorize payment of check numbers 9328 through 9351 from the Operating Account, all as listed in the May Bookkeeper's Report, and authorize the transfer of funds from the demand deposit and checking account to the investments, as discussed.

7. **Review budget for fiscal year ending May 31, 2017.** The President 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 noted that \$200,000 was added to the budget for Water Plant # 2-Hydro Tank #2 addition.

Ms. Kay noted separate line items for costs associated with repairs and maintenance of the sanitary and storm water collection systems as requested by the Board. Mr. Jones and Ms. Kay also confirmed that they would separate those items in their respective reports.

Discussion ensued regarding waterline replacement and a capital improvement plan. Mr. Froehlich stated that he will be happy to arrange a separate meeting with interested Board members to discuss potential waterline rehabilitation projects and will follow up with the Board on scheduling.

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 budget for fiscal year ending May 31, 2017.

8. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of April 2016, a copy of which is attached hereto as Exhibit "E." Mr. Jones reported that 95.86% of the water pumped was billed for the period ending April 28, 2016.

Mr. Jones reviewed the delinquent list with the Board and noted there are 103 delinquent accounts, tagged 37 doors, and disconnected 14 accounts.

Director Holder inquired about including cost information for disconnection and reconnection fees on the customer bills. Following a discussion by the Board, no further action was taken on this matter.

Mr. Jones discussed issues with the current mowing contractor and requested the Board's authorization to terminate services. He reported that he had contacted other vendors for proposals and received bids from Yellowstone Landscape, with a bid of \$8,356.43 per year, and Champions Hydro-Lawn, with a bid of \$8,445.00 per year. Discussion ensued regarding services provided by each vendor. The Board authorized Mr. Jones to engage Champions Hydro-Lawn to provide mowing services for the District.

Mr. Jones reported that ST is changing its report form and will go paperless by January 1, 2017. He said the AVR payment process was working well.

Mr. Jones next discussed a new Auto Meter Read ("AMR") system whereby meters are read by "drive-by" or meter to meter through a mesh network. He said there will be a

presentation on the meters at the AWBD conference. Mr. Jones reported that, three months ago, old meters (meters that reach 1,000,000 gallons), are being replaced by AMR meters, without the "smart read capabilities," and are read in the same manner as the old meters. He said the maintenance fee for new meters is \$1.00 per meter per year. Director Holder requested an accounting of the number of meters that have been replaced in the District. Mr. Jones stated that AMR meters have been installed a new development and there have not been any problems with them at this time. He suggested waiting until the system has been completely installed and fully operational for three months to determine what issues, if any, that may rise. No action was taken by the Board on this discussion.

Mr. Jones reported on the Consumer Confidence Report, due for distribution by July 1, 2016, and stated the District is in compliance with requirements of the Texas Commission on Environmental Quality and has no violations.

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 Operations Report, to terminate the delinquent accounts in accordance to the District's Rate Order and authorize the distribution of the Consumer Confidence Report.

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

Mr. Froehlich updated the Board on the Lift Station No. 1 conversion project and stated that the District's Operator is scheduling installation of the Tideflex valve, in order the run the new pumps at full capacity. He said he is still holding pay estimates for the project.

Mr. Froehlich reported Water Plant No. 2 construction is complete. He then presented and recommended approval of Pay Estimate No. 9 from Schier Construction in the amount of \$7,110.00.

Mr. Froehlich reviewed the Annual Tank Evaluations chart. He then reported on the District's three force main discharge manholes in its wastewater collection system, stating that these manholes are more vulnerable to deterioration and critical to the functionality of the system. Mr. Froehlich requested the Board's authorization to make annual inspection of the District's three force main manholes.

Mr. Froehlich updated the Board on King's River Drive roadside ditch and reported that Pat Myers of Southern Texas Utilities provided an estimate of \$103,000 for installing a storm sewer and backfilling to grade. Mr. Froehlich said that he has contacted two other contractors and will provide additional estimates for this project next month.

Mr. Froehlich reported on Harris County ("County") improvements at the intersection of Atasca Oaks and FM 1960. He stated that a District fire hydrant needs to be relocated so the County can lengthen a left turn lane. He confirmed that ST will relocate the fire hydrant to the east side of the street, behind the curb and invoice the District.

Mr. Froehlich discussed scheduling meetings over the summer with interested Board members and the District's Operator to review and discuss the District's Capital Improvement

Plan. As discussed above, Mr. Froehlich will initiate meeting discussions by contacting the Board to schedule a meeting to discuss potential waterline rehabilitation projects.

Mr. Froehlich reported that bids were solicited for the paving improvements at the Atascocita Joint Plant (the "Plant") and are above the threshold for this project. He said he is contacting other vendors for additional estimates for this project. He also stated a new draft agreement with DryLet is currently under review for the second round of testing at the Plant.

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. 9 from Schier Construction in the amount of \$7,110.00 for Water Plant No. 2 construction; and (3) authorize the engineer to add inspection of the District's three force main manholes to the annual inspection schedule.

10. **Review Arbitrage Compliance Program.** Ms. Ellison distributed and reviewed an Arbitrage Rebate Summary on the District's outstanding bonds, a copy of which is attached as Exhibit G.

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

12. **Discuss and take action on proposed ACIA Amenities.** Mr. Lentz announced that he is moving but will stay on the Board as needed to allow the Board time to seek a qualified replacement and complete the proposed ACIA amenities project.

13. **Discuss and take any action in connection with District communications.** Director Stine reported on email received about a fence, that adjoins the Library, that had been blown down. He said the fence did not belong to the District and no action was taken.

He then reported on a resident in Magnolia Bend with mosquito issues. Mr. Jones also reported the ditch in front of her property is backing up and not properly draining and the County is scheduled to inspect it tomorrow. He said maintenance of the ditch was the responsibility of Harris County.

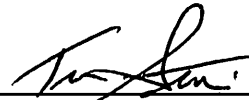
The President stated that he will update the director terms on the web site.

14. **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.

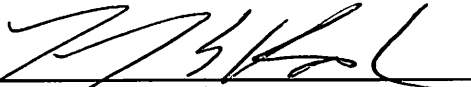
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The above and foregoing minutes were passed and approved by the Board of Directors on May 19, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

