

MINUTES OF MEETING OF BOARD OF DIRECTORS
FEBRUARY 16, 2017

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 The Overlook, 20114 Pinehurst Drive, Atascocita, Texas, 77346, on February 16, 2017 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
Michael Whitaker, Assistant Secretary
Gregg Mielke, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were; Mr. Tony Garza of Monarch Development Services; 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 ("*ST*"), operator of the District's facilities; Mr. Matt Froehlich of BGE, Inc. ("*BGE*"), engineer 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 January 19, 2017, 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 January 19, 2017, as presented.

2. **Receive comments from the public.** The President recognized Mr. Garza, who said he was attending the meeting to follow up on last month's discussion on a request for capacity commitment for a hotel which is under construction by Mr. Garza's clients. Director Stine stated this matter will be covered later in the meeting.

3. **Review and consider Cyber Security supplement to insurance policy.** The President requested the Board defer this matter pending availability of a representative of McDonald and Wessendorf to attend the meeting. It was the consensus of the Board to defer this item to the next meeting.

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 93.1% of the District's 2016 taxes had been collected as of January 31, 2017. The President asked for a breakdown of residential and commercial values.

Upon motion by Director House, seconded by Director Mielke, 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 1210 through 1222 from the Tax Account to the persons, in the amounts, and for the purposes stated in the report.

5. **Consider Orders Adopting Exemption from Taxation.** The President recognized Ms. Ellison, who presented to and reviewed with the Board an Order Adopting Exemption from Taxation for Individuals who are Disabled or are 65 Years of Age or Older and an Order Adopting a Residential Homestead Tax Exemption (the "Orders") , copies of which are attached hereto as *Exhibit C and D, respectively*.

It was the consensus of the Board to maintain the exemption amounts at \$40,000 for those persons who are Disabled or 65 Years of Age or Older, and at 20% for residential homesteads.

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 adopt the Orders as presented.

6. **Adopt Resolution Authorizing Additional Penalty on Delinquent Taxes.** Ms. Ellison presented to and reviewed with the Board a Resolution Authorizing 20% Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Texas Tax Code, a copy of which is attached hereto as *Exhibit E*. 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 adopt the Resolution as presented.

7. **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 February 16, 2017, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as *Exhibit F*.

Director Stine noted that Ms. Ellison provided materials from LOGIC clarifying the rate information on LOGIC in the bookkeeper's report.

Ms. Kay said two certificates of deposit were renewed. Director House noted that the Board adopted a policy of putting money in LOGIC rather than certificates of deposit if the difference in interest rates was 0.30% or more.

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 9587 through 9602 from the Operating Account.

Director Stine reported that the District's budget shows a transfer of \$170,000 from the General Operating Fund to the Debt Service Fund for payment of the District's outstanding debt obligations. He stated that after the budget was adopted the Financial Advisor advised the Board that a transfer of \$125,000 would be adequate. 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 direct the bookkeeper to transfer \$125,000 from the General Operating Fund to the Debt Service Fund.

8. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of January, a copy of which is attached hereto as *Exhibit G*. Mr.

Jones reported that 92.24% of the water pumped was billed for the period of December 24, 2016 through January 25, 2017.

Mr. Jones next presented customer correspondence from two customers requesting adjustments to their bills due to irrigation leaks. He reported that both customers were notified that the District does not adjust the water portion of the bill but will consider adjusting the sewer portion since the water from the leaks does not go through the sewer system. 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 grant the customers a credit on their bills for the portion of the sewer charge above each customer's average monthly usage.

Mr. Jones updated the Board on ST's response to a customer complaint on Riverside Pines. He said ST arranged for a plumber to unstop the aerators in the customer's faucets and will pay for the plumber's charges.

Mr. Jones updated the Board on the status of the City of Houston sinkhole, stating that the City had hired a surveyor to mark the area.

Mr. Jones also reported that Lifetime, the golf course and The Overlook were close to working out an agreement on repairing the sinkhole affecting their properties.

Discussion ensued regarding the washout and sinkhole at the boat ramp on Atascocita Shores. Mr. Jones said he had a quote of \$2,500 to repair a seal causing the sinkhole.

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

9. Discuss regulatory assessment fee required by the Texas Commission on Environmental Quality. The President recognized Ms. Ellison, who reviewed and discussed TCEQ Regulatory Guide – Regulatory Assessments Collected by Retail Public Utilities, attached as Exhibit H. The Board discussed the annual assessment fee and how it should be treated in the District's Rate Order.

Upon motion by Director Whitaker, seconded by Director Mielke, after full discussion and the question being put to the Board, the Board voted unanimously to include the TCEQ annual regulatory fee in the current base fee provided in the Rate Order.

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 H*.

Mr. Froehlich reported on the Capital Improvement Plan projects. He updated the Board on the prior discussion regarding installing "insta-valves along the District's 16" waterline along FM 1960, west of West Lake Houston Parkway. He stated that the vendor for the "insta-valves," Mickie Service Company, confirmed that the per valve quote will be honored, regardless of whether the District installs less than five valves. Mr. Froehlich stated that BGE is in the process of determining the number of valves that will be required. Discussion ensued regarding isolation of the line, cost-saving alternatives and options for minimizing the number of customers impacted during installation of valves.

Mr. Froehlich reviewed an illustration of the Atascocita Commons waterlines. He said if the waterlines within the Atascocita Commons can be used to tie into the second discharge line from Water Plant No. 2, then the cost of providing redundancy in service to the commercial customers would be much less than estimated. He said the waterlines appear to be public facilities but are not in recorded easements. He said he would have to obtain such easements from the affected property owners.

Mr. Froehlich reported that Drylet continues with product addition and testing at the Wastewater Treatment Plan.

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 Engineer's Report.

11. **Review and authorize capacity commitment letters.** Mr. Froehlich presented and reviewed an updated request for utility capacity commitment from Mr. Tony Garza with Monarch Development Services on behalf of Omkareshwar Mahadev, LLC for a proposed Scottish Inns and Suites, a 40-room hotel currently under construction at 8530 FM 1960, a copy of which is attached to the engineer's report. Director Stine updated the members of the Board absent from last month's meeting on the discussions last month regarding the hotel franchise. He noted that the capacity commitment request now stated that the hotel will be a Scottish Inn and Suites, and Mr. Patel, the owner/operator stated that the hotel will operate as a full occupancy hotel with room rentals on a nightly basis with industry standards. He thanked Mr. Garza for the updated information.

Mr. Froehlich reviewed and presented to the Board a request for utility capacity commitment from Mr. Andrew Garza of Terra Associates, Inc. on behalf of HEB for a proposed addition of a curbside pickup facility, a copy of which is attached to the engineer's report. Mr. Froehlich reported that BGE has reviewed the development plans for an additional 1,500 square feet to the current building and noted that one additional connection is required for the additional space.

Mr. Froehlich reviewed and presented to the Board a request for utility capacity commitment from Mr. Steven Hanson for the proposed White Sands Hotel, a copy of which is attached to the engineer's report. He stated that the tract was re-platted to apply for a permit and Harris County is requiring the plat name, "Summer Pine," be included in the utility capacity commitment. The Board asked Mr. Froehlich to request a letter similar to that of Mr. Patel's concerning operation of the hotel.

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 requests and authorize capacity commitments for Scottish Inns and Suites, HEB Curbside, and White Sands Hotel.

12. **Consider participation in Library expansion.** Director Stine reported that the County is working on a scope of work for the project. He said he discussed possible District participation in the project with Becky Berry. Ms. Berry advised she had provided Director Stine's contact information to Edward Melton and he will contact Director Stine when the cost analysis and scope of work is complete.

13. **Discuss and take any action in connection with District communications.** Director Stine reported on reformatting of the District's website.

14. **Report on AWBD winter conference.** Director Stine discussed a presentation on the relationship between a homeowners association and a municipal utility district, noting that both have a common goal to maintain home values and should coordinate efforts.

Director Holder discussed a presentation on security at District facilities.

Director House discussed a presentation on storm water quality. Discussion ensued regarding illegal discharge to storm sewers.

15. **Other Director and Consultant reports.** No other reports were presented to 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 March 16, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

