

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 20, 2014

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 Atascocita Library, 19520 Pinehurst Trail Drive, Humble, Texas, 77346, on March 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, except Director Whitaker. 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. Sandra Segraves, Mr. Robert Seagraves, residents of an adjoining district that is within ACIA; Ms. Janel Dale and Mr. Greg Campbell, residents of the District; and Ms. Jana Cogburn and Ms. Carrie Spann 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 February 20, 2014; previously distributed to the Board, were presented for approval. Discussion ensued regarding whether the location of the proposed two-story motel is correct in the minutes. Mr. Froehlich agreed to confirm the location. Upon motion by Director Lentz, 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 February 20, 2014, as presented.

2. **Receive comments from the public.** Mr. Segraves noted that he has attended every Atascocita Community Improvement Association ("*ACIA*") meeting in the last year and he has never heard a Comprehensive Plan discussed. Ms. Segraves stated that many of the amenities listed in the Comprehensive Plan have previously been in the District and were not used. Ms. Dale voiced her concerns about the Comprehensive Plan and how it was approved by the ACIA. Mr. Campbell noted that he has seen news articles indicating that Harris County is planning to transfer certain responsibilities to districts, which would increase the expenses of the District. The Board thanked the residents for their input and noted they would discuss the ACIA Comprehensive Plan at the end of the meeting or at a future meeting, based on time constraints.

3. **Adopt Order Declaring Unopposed Candidates Elected to Office.** Ms. Cogburn stated that the candidates for the May election are unopposed and therefore the election can be cancelled and the directors declared elected to office. Upon motion by Director Lentz, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as "Exhibit "B."

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 March 20, 2014, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending March 20, 2014, to approve the Investment Report, and to authorize payment of check numbers 8479 through 8502 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Review Tax Collector's Report authorize payment of certain bills and authorize execution of Depository Pledge Agreement with Wells Fargo Bank.** Mr. Keefe reminded the Board 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 "D." Mr. Keefe noted that 96.465% of the District's 2013 taxes had been collected as of February 28, 2014. 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, to authorize payment of check numbers 1130 through 1139 from the Tax Account to the persons, in the amounts, and for the purposes listed therein and to authorize execution of the Depository Pledge Agreement with Wells Fargo Bank.

6. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of February 2014, a copy of which is attached hereto as Exhibit "E." Mr. Jones reported that 96.69% of the water pumped was billed the period ending February 21, 2014. Mr. Jones requested permission to turn over four accounts in the aggregate amount of \$975.21 to collections. Mr. Jones stated that he is waiting on a cost for repairing the motor at generator no. 1 at lift station no. 1, but that the repair needs to be made as soon as possible. The Board agreed that Mr. Jones should send the price to Director House when he receives it. 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 authorize termination of service to the delinquent accounts, to authorize turning over four accounts in the aggregate amount of \$975.21 to collections and to authorize repairing the motor at generator no. 1 at lift station no. 1, subject to approval of the final price by Director House.

7. **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 "F" and noted that the method for calculating the water supplied has been revised to be based on the operator's estimate as requested by the Board. 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 and authorize

execution of the Second Amendment to Emergency and Interim Water Supply Contract with HCMUD No. 152.

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

Commercial Plan Reviews

Brown & Gay reviewed plans for the proposed Palace Inn at 8411 FM 1960 E. and provided comments (letter attached). Additionally, Brown & Gay visited the site to confirm the location of their proposed sanitary sewer connections. The existing sanitary sewer manhole shown on their plans as a point of connection is actually a service/air release valve manhole for the 18" force main along FM 1960. Brown & Gay informed the engineer that they could not connect to the District's facilities here and need to find another point of connection.

ST informed Brown & Gay that they received a phone call regarding the opening of a Smoothie King at 7203 Atascocita Road. It's in an existing shopping center and no new connections to District facilities are proposed, so submittal, review and approval of plans is not required.

Storm Sewer Rehabilitation:

Brown & Gay has compiled the results of the video inspections and prioritized the sewer segments by the severity of the defects found (1 = severe defects; 2 = defect show evidence of infiltration and/or several defects within same pipe segment; 3 = some cracks with no evidence of infiltration; 4 = heavy cleaning required). Brown & Gay organized the segments by priority and worked with a contractor to estimate construction costs for rehabilitating the system. Brown & Gay assumed the majority of the project would be performed using Cured-In-Place Pipe (CIPP) to minimize surface disturbance. The following table summarizes the estimates by priority.

Priority	Total Length (ft)	Conceptual Cost
1	716	\$ 170,000
2	3,828	\$ 820,000
3	3,983	\$1,010,000
4	1,459	\$ 110,000

Brown & Gay combined the priority groups into several options for a rehabilitation project.

Option	Priority	Total Length (ft)	Conceptual Cost
A	1, 2	4,544	\$ 990,000
B	1, 2, 4	6,003	\$1,100,000
C	1, 2, 3, 4	9,986	\$2,110,000

Mr. Froehlich stated that the heavy cleaning (priority 4) could be done by the operator as routine maintenance.

Not included in the number above is any manhole rehabilitation. Brown & Gay recommends that this be included as an "as needed" item in any rehabilitation projects the Board decides to move forward with. The manholes in the system are predominantly brick and, considering the age of most of them, are probably in varying states of deterioration. The worst case is that all storm manholes would need to be rehabilitated.

(interior coated with a cementitious coating). Based on 120 manholes averaging 6 vertical feet in depth, Brown & Gay estimates the construction cost at \$90,000.

Upon the Board's decision to move forward with a rehabilitation project, Brown & Gay is ready to begin preparing plans and specifications. Brown & Gay estimates plan preparation and approval will take approximately 6 months and construction will take approximately 6 months. Brown & Gay recognizes the District has some other priorities at this time. Should the Board decide to wait on starting a rehab project, the television inspection did not reveal any defects that warrant immediate action.

Discussion ensued. Upon motion from Director Lentz, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to authorize ST to do the heavy cleaning of the storm sewer lines. The Board also directed Brown & Gay to survey the manholes and determine which lines need to be repaired at this time.

Water Plant No. 1 Hydropneumatic Tank (HPT) Replacement:

Brown & Gay received contracts and bonds from Holloway for the HPT purchase and they are currently being reviewed. Brown & Gay will forward them to the Attorney for review shortly, and then route them for execution by the Board President. Brown & Gay received the tank submittals from Holloway and is currently reviewing them. Upon receipt of approved submittals, Holloway will begin manufacturing the tank. Their original quote was for 10-12 weeks, but if things work out right, Holloway believes they can deliver it in 6-8 weeks.

Discussion ensued regarding the location of the second tank. The Board agreed to decide on a location at its April meeting.

Brown & Gay is presenting a quote from Schier for \$36,800 to install the tank that Holloway will deliver (copy attached). With the Board's acceptance of the quote, Brown & Gay will prepare a contract for Schier for the separate project.

Upon motion from Director Lentz, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for installation of the tank to Schier Construction Company in the amount of \$36,800.

Annual Tank Inspections:

Brown & Gay completed the annual inspections this month on HPT 1 and HPT 3 at Water Plant No. 1. HPT 3 has some warranty issues that Brown & Gay will work with Schier to address.

Drought Contingency Plan and Water Conservation Plan:

Brown & Gay confirmed with the TCEQ and TWDB how each defines "connection". This was important in determining whether or not the District needs to submit the Drought Contingency Plan to TCEQ and create a Water Conservation Plan. Based on the definition, the District does not meet the 3,300 connection threshold requiring submittal of the DCP and preparation of a WCP. After review of the current DCP, there are a few revisions Brown & Gay recommends:

- i. Add a voluntary Stage 1 and move outdoor watering restriction to Stage 2. Currently Stage 1 calls for voluntary reduction of water use, but includes mandatory

restrictions on outdoor water use. A fully voluntary Stage 1 matches what the West Harris County Regional Water Authority and Harris County MUD No. 151 have in place.

- ii. Change outdoor water restrictions from odd and even days to two specific days a week. The TCEQ identifies the 2-day restrictions as a Best Management Practice (BMP) whereas the every-other-day restriction in some cases increases water use from regular, non-restricted use.

With the Board's consent, Brown & Gay will draft a revised Drought Contingency Plan for the Board's review and consideration next month. In kind, Brown & Gay requests that F&J prepare a resolution documenting the Board's review and adoption with changes for execution at next month's meeting.

The Board asked Mr. Froehlich to check Harris County MUD No. 151's DCP and suggested the two districts coordinate to have consistent hours for watering.

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"):
There have been no updates, revisions or additions to the CIP since last month's meeting.

Atascocita Joint Operations Board:
The Engineer's Report for March is attached.

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.

9. Authorize award of contract for construction of restroom at Water Plant No. 2. Brown & Gay prepared a schematic for constructing a new office/restroom building with shower and a site layout with the proposed location. Brown & Gay estimates construction costs at \$60,000-\$65,000. The Board agreed to defer action until the tank work is complete.

10. Review and authorize capacity commitment letters. Mr. Froehlich presented to and reviewed with the Board the request submitted for the First Choice Emergency Room at 7069 FM 1960 E. for two ESFCs. Upon motion from Director Lentz, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve the capacity commitment for First Choice Emergency Room at 7069 FM 1960 E. for 2 ESFCs.

11. **Discuss and take any action in connection with District communications.** Director Stine reported on the status of the newsletter that is in process and the status of the updates to the website.

12. **Discuss cash defeasance of bonds.** The Board noted that Ms. Moran had presented to and reviewed with the Board a summary of outstanding bonds, and analyses of three cash defeasance scenarios at the February meeting. It was the consensus of the Board to defease \$1,500,000 of the District's Series 2006 Bonds. Upon motion from Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to redeem \$1,500,000 of the District's Series 2006 Bonds and to adopt the Resolution Approving Redemption of Unlimited Tax Bonds, Series 2006, a copy of which is attached hereto as Exhibit "H."

13. **Discuss and take action on ACIA Comprehensive Plan.** The Board deferred discussion on the ACIA comprehensive Plan.

14. **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 April 17, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

