

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 19, 2005

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 offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 at 12:00 p.m. on May 19, 2005; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Andy Armstrong, Secretary/Treasurer
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present except Director Hughes. Director Armstrong entered the meeting in progress. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Michelle Guerrero of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal and Ms. Corrina Hauter of Brown & Gay Engineers, Inc., engineer for the District; Ms. MaryAnn Cashion, a resident of the District; Mr. Russ Hortman of the Observer Newspapers; and Ms. Jana Cogburn, Ms. Jessica Holoubek and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*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 meeting of April 21, 2005, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, seconded by Director Johnson, 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, 2005, as presented.

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

3. **Engage auditor for fiscal year ending May 31, 2005.** Ms. Cogburn noted that the Board previously engaged McCall, Gibson & Co., P.L.L.C. for a two year audit period due to the new GASB 34 requirements. The Board reviewed the audit confirmations concerning the audit for fiscal year ending May 31, 2005, copies of which are attached hereto as Exhibit “B.” Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the auditor confirmations in connection with the audit for fiscal year ending May 31, 2005.

4. **Review Bookkeeper's Report and Investment Report.** The President recognized Ms. Kelly, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "C." Upon motion by Director Haney, seconded by Director Johnson, 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 4875 through 4903 from the Operating Account and check number 5031 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

5. **Approve and authorize execution of Depository Pledge Agreement with Amegy Bank.** The Board reviewed the proposed Depository Pledge Agreement with Amegy Bank, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of Depository Pledge Agreement with Amegy Bank.

6. **Discuss impact of Strategic Partnership Agreement ("SPA") with City of Houston on budget and tax rate.** Ms. Guerrero reported that a revised business list has been sent to the City of Houston and tax collections should commence on July 1, 2005. Ms. Guerrero stated that the District should start receiving funds sometime in November 2005. In response to a question, Ms. Guerrero stated that she will attempt to obtain an estimate of the District's expected SPA revenue prior to the adoption of the 2005 tax rate.

7. **Approve budget for fiscal year ending May 31, 2006.** Ms. Kelly presented to the Board a revised draft of the proposed budget for fiscal year ending May 31, 2006, a copy of which is attached to the Bookkeeper's Report. Upon motion by Director Johnson, seconded by Director Haney, 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, 2006, as presented.

8. **Review Tax Collector's Report and authorize payment of certain bills.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report for April 2005, a copy of which is attached hereto as Exhibit "E." Ms. Guerrero noted that 94.98% of the District's 2004 taxes had been collected as of April 30, 2005. Upon motion by Director Johnson, seconded by Director Haney, 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 1367 through 1373 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Engage delinquent tax attorney to enforce the collection of delinquent taxes.** Ms. Cogburn noted that the District has an existing contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes. Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to collect delinquent 2004 taxes pursuant to the terms of such contract.

10. **Authorize additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2005.** Upon motion by Director Johnson, seconded by Director Haney,

after full discussion and the question being put to the Board, the Board voted unanimously to authorize an additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2005.

11. **Operations Report and Billing and Collecting Report.** The President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report and a list of the delinquent accounts, copies of which are attached hereto as Exhibit "F." Mr. Mensik reported that 98.74% of the water pumped was billed for the month ending April 21, 2005.

Mr. Mensik stated that ST has refunded Ms. Haynie \$120.00 in connection with her water being terminated.

Mr. Mensik requested permission to turn one account in the amount of \$47.67 over to collections.

Mr. Mensik stated that he will be providing a proposed amendment to the contract between ST and the District to the District's attorney for review. Mr. Mensik stated that the amendment will include an increase in the labor and equipment costs.

Upon motion by Director Haney, seconded by Director Johnson, 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 delinquent accounts and to authorize ST to turn one account in the amount of \$47.67 over to collections.

Director Armstrong entered the meeting at this time.

12. **Approve Consumer Confidence Report ("CCR").** Upon motion by Director Armstrong, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the CCR, copies of which were previously distributed to the Board, and to authorize the Operator to send the CCR to District customers by July 1, 2005

13. **Status report on flow meters.** Mr. Mensik stated that he would report on the flow meters at the next Board meeting.

14. **Engineer's Report.** Ms. Zapletal presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Ms. Zapletal reported that Brown & Gay received and reviewed the revised plans from Silken Body Day Spa for extending the eight-inch sanitary sewer line to service the property. Ms. Zapletal reported that the sanitary sewer extension has been completed. Ms. Zapletal stated that the engineering review fees incurred by the District exceeded the \$500.00 charge provided for in the District's Rate Order. In response to a question, Ms. Zapletal stated that the plans were resubmitted for review due to the various problems in the first set of plans submitted. It was the consensus of the Board to bill the Silken Body Day Spa an additional \$500 for the review of the resubmitted plans.

Ms. Zapletal reported that Brown & Gay has received and reviewed the preliminary plans for the development of 8.7 acres along FM 1960 East. Ms. Zapletal reported that the owner

plans to develop four pad sites along FM 1960 East as phase one of the development of the 44 acres.

Ms. Zapletal reported that phase one of the sanitary sewer rehabilitation is progressing. Ms. Zapletal reported that Brown & Gay recently received Pay Estimate No. Five and is in the process of reviewing it. Ms. Zapletal noted that the last segment of sewer pipe in connection with the rehabilitation will be lined today.

Ms. Zapletal reported that Brown & Gay received comments from Harris County in connection with the plans for phase two of the sanitary sewer rehabilitation. Ms. Zapletal stated that Brown & Gay anticipates resubmitting the plans to Harris County for signatures tomorrow. Ms. Zapletal requested that the Board authorize Brown & Gay to advertise for bids for the project. Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Brown & Gay to advertise for bids for phase two of the sanitary sewer rehabilitation.

Ms. Zapletal reported that Brown & Gay is working with the TCEQ to address their comments on the request for minimum alternative water capacity requirements for a system with more than 2,500 connections. Ms. Zapletal stated that the TCEQ noted that the existing emergency interconnections are not being accurately metered in a way to determine the peak daily demand on the District's water system. Ms. Zapletal stated that it will probably be another month before the TCEQ will complete its final review of the District's request.

15. **Review cost estimate and authorize sanitary sewer rehabilitation work.** Ms. Zapletal presented to and reviewed with the Board estimates for the sewer rehabilitation work based on inspections by ST through April 15, 2005, copies of which are attached to the Engineer's Report. Upon motion by Director Haney, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Brown & Gay to proceed with preparing the plans and specifications for all of the recommended sanitary sewer rehabilitation (priority 1, 2, and 3 repairs).

16. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Panda Express will be demolishing the former Pizza Hut and constructing a new restaurant on the site at 6900 FM 1960 East. Ms. Zapletal stated that the engineer has requested capacity sufficient to serve 14.7 equivalent single family connections. Ms. Zapletal stated that Brown & Gay recommends approving a capacity commitment to Panda Express. Upon motion by Director Haney, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of a capacity commitment letter for Panda Express.

17. **Approve proposal for engineering services related to the installation of an additional pump at lift station no. four.** Ms. Zapletal reported that design of the improvements to the shared lift station with Harris County MUD No. 151 is underway. Ms. Zapletal stated that the electrical engineer visited the site on Friday, April 22, 2005 to inspect and confirm the existing electrical components. Ms. Zapletal stated that the force main and wet well have been analyzed to confirm that capacity is sufficient for the lift station's service area.

18. **Approve and authorize execution of Amended and Restated Sanitary Sewer (Trunk) Line Contract.** Ms. Cogburn presented to and reviewed with the Board the proposed

Amended and Restated Sanitary Sewer Line Contract, a copy of which is attached hereto as Exhibit "H." Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Amended and Restated Sanitary Sewer Line Contract.

19. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department regarding ISO rating.** Ms. Cogburn reported that she contacted the attorney for Emergency Services District No. 46 to request a detailed invoice summarizing the costs of the ISO survey that relate directly to the individual municipal utility districts' water systems. Ms. Cogburn stated that the attorney stated that they will provide such documentation within the next few weeks. This item was tabled, pending receipt of the requested documentation.

20. **Discuss and take any action in connection with District communications.** Director Johnson stated that there are errors on the District Registration Form that the TCEQ has posted on its website. Ms. Cogburn stated that she will contact the TCEQ regarding the necessary revisions.

Discussion ensued regarding the meeting location for the June meeting. It was the consensus of the Board to meet on June 16, 2005 at the Atascocita Country Club at 7:00 p.m.

21. **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
June 16, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)