

MINUTES OF MEETING OF BOARD OF DIRECTORS
November 20, 2008

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 Atascocita Country Club, 20114 Pinehurst, Humble, Texas, 77346, on November 20, 2008 at 6:00 p.m.; whereupon the roll was called of the directors, to-wit:

Ray Hughes, President
Tim Stine, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Jerrel Holder, Assistant Secretary

All members of the Board were present except Director Haney. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Frieda Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal and Mr. John Dreahn of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Ms. Nikki Wynne of Payne Communications; and Ms. Jana Cogburn 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 October 23, 2008, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of October 23, 2008, as presented.
2. **Public Hearing on Tax Rate.** The President opened the hearing on the proposed 2008 tax rate. There were no comments on the tax rate from the public.
3. **Receive comments from the public.** There were no members of the public in attendance.
4. **Discuss and take action in connection with security contract with ADT and payment of same.** Mr. Mensik reported that the security cameras are still not operational. Mr. Mensik stated that he met with a representative of ADT last week, but ADT still has not provided all the necessary training for operation of the security equipment. Discussion ensued. It was the consensus of the Board to continue to hold all payments to ADT. 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 F&J to prepare a letter notifying ADT that the District will not be paying any invoices received until ADT provides the services that are being billed to the District. It was the consensus that Mr. Mensik provide F&J with a summary of all contacts made or attempted with ADT regarding the security system.

5. **Discuss and take action in connection with follow-up letter from Mr. Walter Smith.** It was noted that Mr. Smith had questions and concerns regarding the District's procedures in connection with driveway repairs and compacting. Discussion ensued. Mr. Mensik noted that Mr. Smith's driveway was initially installed and subsequently repaired according to standard procedure and not according to Harris County standards. It was the consensus of the Board that Director Holder contact Mr. Smith to inform him of the Board's discussion on such matter.

6. **Discuss and take action in connection with notice from West Harris County Regional Water Authority (the "Authority") regarding increase in pumpage fees and surface water fees.** The Board reviewed a memorandum from the Authority stating that the surface water fee and pumpage fees will increase \$0.10 per 1,000 gallons of water effective January 1, 2009, a copy of which is attached hereto as Exhibit "B." It was noted that the pumpage fee will be increasing from \$0.85 to \$0.95 per 1,000 gallons. Ms. Cogburn noted that the District's Rate Order does not pass on any of the Authority fees to District customers. It was the consensus of the Board to absorb the Authority fee increase.

7. **Review Bookkeeper's Report and Investment Report.** The President recognized Ms. Conley, who presented to and reviewed with the Board the Bookkeeper's Report for the period ending November 20, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "C."

Director Stine noted that the electricity usage report is not attached to the Bookkeeper's Report. Ms. Conley stated that she will email the report to the Board and F&J. Ms. Zapletal noted that the natural gas bills received thus far for September total approximately \$14,000.

Ms. Conley reported that she received four invoices from Harris County Municipal Utility District No. 151 totaling \$53,742.79 in connection with the shared lift station no. four for the last four calendar years. Discussion ensued. It was the consensus of the Board to defer payment, subject to F&J's review of the agreement between the District and No. 151 for the shared lift station. Ms. Cogburn stated that she will review the contract to ensure that the appropriate billing procedures are being followed.

Upon motion by Director Stine, seconded by Director House, 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 November 20, 2008, to approve the Investment Report, and to authorize payment of check numbers 6300 through 6332 from the Operating Account and check number 5080 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

8. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Report for the

month of October 2008 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." It was noted that 98.36% of the District's 2007 taxes had been collected as of October 31, 2008. Upon motion by Director Holder, seconded by Director Stine, 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 1336 through 1346 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Adopt Order Setting Tax Rate and Levying Tax For 2008.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2008, a copy of which is attached hereto as Exhibit "E." In response to a question, Mr. Keefe noted that the Notice of Public Hearing was published in the local newspaper. Upon motion by Director Stine, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Setting Tax Rate and Levying Tax for 2008, thereby levying a tax rate of \$0.335 per \$100 assessed valuation (\$.24 for debt service and \$0.095 for operations and maintenance).

10. **Approve and authorize filing of the Amended District Information Form.** Ms. Cogburn stated that the District is required to file an Amended and Restated District Information Form in the property records after any tax rate change. Ms. Cogburn presented to and reviewed with the Board an Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "F." Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize filing of the Amended and Restated District Information Form in the Harris County Property Records.

11. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for October, copies of which are attached hereto as Exhibit "G." Mr. Mensik reported that 99.91% of the water pumped was billed for the month ending October 22, 2008.

In response to a question regarding numerous "response to alarm" work orders at the water plants, Mr. Mensik stated that ST received six alarm calls from ADT, but when ST arrived at the water plant there was no sign of entry and the security cameras were not operational. Discussion ensued. It was the consensus of the Board that ST backbill ADT for the security alarm call responses since the security equipment was not fully operational.

In response to a question from Director Stine, Mr. Mensik stated that he will email the Board an explanation of the disparity in the District's reported connections versus the Atascocita Joint Operations Wastewater Treatment Plant reported connections.

Mr. Mensik stated that ST received a letter from a resident requesting a refund of the \$40 disconnect fee assessed. Mr. Mensik reported that the resident's service was terminated due to late payment and in accordance with the District's Rate Order.

Mr. Mensik presented to and reviewed with the Board a summary of equipment rate increases for ST, a copy of which is attached hereto as Exhibit "H." Mr. Mensik requested that the Board consider amending ST's contract at the next Board meeting. Mr. Mensik noted that

the last amendment to the contract was in 2000. Discussion ensued. It was the consensus of the Board that F&J forward to the Board and Mr. Mensik all of the District contracts and amendments with ST. The Board decided to further discuss whether to re-negotiate the contract and/or request operations proposals at the next Board meeting.

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 Operations Report, to authorize termination of service to delinquent accounts, and to authorize ST to turn three accounts over to collections and to write off one account.

12. **Award contract for replacement of concrete fence at water plant no. one.** Ms. Zapletal stated that Brown & Gay is advertising for bids, which will be presented at the December 2008 meeting. Ms. Zapletal requested the Board's concurrence with the CMU alternative for Water Plant No. 2, a copy of which is attached to the Engineer's Report, and noted that as agreed in October, construction will not begin until after the December holiday season. Upon motion by Director Stine, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously that the water plant fences be constructed with standard brick and not the alternative.

13. **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 "I," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Chateaux at Pinehurst Apartments: Brown & Gay approved the plans in October. The developer is required to provide Brown & Gay and Severn Trent video inspections of the existing sanitary sewer mains to confirm the condition of the original construction prior to connecting to the District's sanitary sewer system. Brown & Gay has not received records of a video inspection.
- b. NE Corner of Atascocita Road & Town Center Boulevard (Bank to be constructed on a portion of the approx. 2.8 AC): Bury+Partners received the plans and District submittal requirements from Brown & Gay in October.
- c. Rowland Interests: Bury+Partners is the project engineer for the development of this property as Atascocita Business Park. No plans have been received to date.
- d. Atascocita Lutheran Church: No plans have been received to date.
- e. Southwest corner of FM 1960 East & Atascocita Shores: In May 2008, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- f. Atascocita Shores Personal Warehouse: Nothing new.

- g. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- h. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- i. NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Sinkhole at 19627 Gamble Oaks: Severn Trent provided Brown & Gay with a copy of the DVD of the sewer segment for review. Although the cracks in the sewer main have worsened since 2006, there do not appear to be defects within the main that could be attributable to the sinkhole near the power pole. CenterPoint was contacted to schedule an appointment to fill the sinkhole to eliminate the sinkhole hazard. This segment remains outlined in the scope of work for the next phase of rehabilitation and has been upgraded to Priority 2 from the previous Priority 3 assigned in 2006 due to the aforementioned cracks. The resident was advised by Severn Trent that the District will be making the repairs in the area as part of a larger-scope sewer rehabilitation project.

Customer Complaint at 19510 Nehoc Lane: Severn Trent advised Brown & Gay that the resident at 19510 Nehoc Lane complained that the sewer main in the backyard was causing cracks in his swimming pool. Defects found on the sewer main were not in the vicinity of this yard. This sewer segment was previously assigned a Priority 2 for repairs. The designation will remain the same and will be rehabilitated in a future project.

Brown & Gay requests the Board's consideration of beginning the engineering work for the next phase of sewer rehabilitation in the next couple of months to be able to proceed with construction in summer 2009.

Discussion ensued regarding budgeting for the next phase of sanitary sewer rehabilitation. Ms. Zapletal stated the estimated costs for the remaining rehabilitation are between \$2,000,000 and \$2,200,000. Director Stine stated that he will review the District's budget and report back to the Board regarding the amount of available funds for the project.

Atascocita Joint Operations Board (Preliminary Report for November 25th):

Brown & Gay continues to maintain a compilation of the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. The current compilation through October 2008 indicates an average daily flow of 4.25 mgd, or 264 gpd per ESFC. Rainfall for the month was 7.9 inches. Severn Trent is keeping Brown & Gay aware of any problems with the new WWTP equipment, and BGE is coordinating with the equipment representatives to make the adjustments and repairs.

Severn Trent informed Brown & Gay that the new area lights at the south end of the sewage treatment plant do not come on when it gets dark. Brown & Gay has instructed LEM Construction to make necessary repairs to the photocell/timer. Brown & Gay will keep the Board and Severn Trent updated on the status of the repairs.

Severn Trent informed Brown & Gay that they want more flexibility in running the bar screen. Currently, the programming on the lift station bar screen is set up so the bar screen runs when a lift pump runs. Brown & Gay has instructed LEM to investigate adding a timer, which will give Severn Trent more control over when the screen runs. Brown & Gay will keep the Board and Severn Trent updated on the status.

Hurricane Ike Issues:

BGE, Myrtle Cruz and Severn Trent have coordinated to compile costs for submittal of the preliminary reimbursement application to FEMA tomorrow. BGE has contacted the FEMA representative to advise her that we are trying to submit invoices this week and prior to the deadline of the end of November. The costs for fuel do appear to exceed \$3,000. BGE request the Board's concurrence to proceed. Included with the reimbursement will be administrative costs for preparation of the application.

Drainage Channel Maintenance by Atascocita Golf Course:

On March 18, 1985, the District executed a Maintenance Agreement for the channel requiring the Atascocita Country Club to maintain the channel at its cost. The country club representatives believe that Harris County Commissioner Jerry Eversole agreed to maintain the channel. Brown & Gay has contacted the General Manager to confirm such contract subsequent to the 1985 Agreement.

14. **Acceptance of water line and fire hydrant easements in connection with Atascocita Commons Phase III.** Ms. Zapletal reported that Brown & Gay received the executed easements and has provided them to F&J for recordation. Upon motion by Director Stine, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to accept the water line and fire hydrant easements in connection with Atascocita Commons Phase III.

15. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay has not received any capacity commitment requests since the last Board meeting.

16. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4").** Ms. Zapletal reported that the construction plans for the swale and internal KRE4 storm sewer are being finalized for submittal after the Thanksgiving holiday. The easement description for the golf course and residents are also being drafted and will be forwarded to F&J for drafting the easement documents upon completion. Upon receipt of the bids, the KRE4 HOA will be required to deposit its share (30%) of the construction costs prior to award of the contract.

Attached to the Engineer's Report are draft copies of the maintenance certificates that will be required by Harris County for final signature approvals on the plans. Brown & Gay recommends that F&J proceed with preparation of the Maintenance Agreement in the name of the HOA for the internal storm sewer improvements. Upon motion by Director Stine, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the maintenance certificate for the swale and drainage channel improvements.

Discussion ensued regarding the old Tamarron lift station site and maintenance to restore the site to its condition previous to the construction of the temporary lift station. It was noted that the District had a temporary easement for the lift station site and the Country Club is the owner of the land. Mr. Mensik stated that he will locate the estimate ST obtained for removing the concrete driveway and fence at the site and provide to the Board, but he believes it did not exceed \$7,000. It was the consensus of the Board that F&J prepare and forward a letter to the management of the Country Club for permission to restore the site to its previous condition by removing the concrete driveway and fence at the old lift station site and to authorize this work (not to exceed \$7,000) upon approval by the Country Club.

17. **Status update on implementation of GIS System.** Ms. Zapletal reported that Brown & Gay will maintain the GIS on a continual basis.

18. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that the next quarterly newsletter is almost ready to go to print.

19. **Discuss and take action in connection with post-bond issuance requirements.** Ms. Cogburn presented to and reviewed with the Board the Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Stine, 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 such procedures and guidelines.

20. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** At 7:15 p.m., the Board convened in executive session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.

The Board reconvened in open session at 7:16 p.m.

21. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** The Board did not convene in executive session at this time.

22. **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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on
December 18, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)