

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 10, 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 special session, open to the public, at the Atascocita Country Club, 20114 Pinehurst, Humble, Texas, 77346, on July 10, 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. Director Holder entered the meeting in progress. 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. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and members of the public. A sign-in sheet is attached hereto as Exhibit “A”.

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 “B”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of June 19, 2008, previously distributed to the Board, were presented for approval. 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 the minutes of the meeting of June 19, 2008, as presented.
2. **Receive comments from the public.** There were no comments from the public at this time.
3. **Discuss and take action in connection with follow-up letter from Mr. Walter Smith.** The Board reviewed a follow-up letter dated June 23, 2008 from Mr. Walter Smith regarding the Board’s action in connection with the replacement of his driveway, a copy of which is attached hereto as Exhibit “C.” Discussion ensued.

Director Holder entered the meeting at this time.

It was the consensus of the Board that Director Hughes coordinate with ST and Mr. Smith regarding the follow-up letter and Mr. Smith's concerns regarding the District's procedures in connection with driveway repairs.

4. **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 July 10, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "D." 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 accept the Bookkeeper's Report for the period ending July 10, 2008, to approve the Investment Report, and to authorize payment of check numbers 6185 through 6222 from the Operating Account and check numbers 5076 and 5077 from the Capital Projects Fund, all as listed in the Bookkeeper's Report.

5. **Approve and authorize execution of Letter of Notification of Transfer of Safekeeping Custodian (Texas State Bank/Compass Bank).** The Board reviewed a letter from Texas State Bank, a copy of which is attached hereto as Exhibit "E." Ms. Conley stated that Texas State Bank merged with Compass Bank and Compass Bank is the surviving corporation. Ms. Conley noted that, as a result of the merger, the bank will transfer securities safekeeping/custodial services from the Federal Home Loan Bank of Dallas ("FHLB Dallas") to the Federal Home Loan Bank of Atlanta ("FHLB Atlanta") beginning in July 2008. Ms. Conley stated that the District's current Depository Pledge Agreement with Texas State Bank will need to be revised. It was noted that the such item will be included on the August 2008 meeting agenda. Ms. Conley stated that Texas State Bank is requesting the Board's acknowledgement of the merger and change in safekeeping/custodial services. 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 acknowledge receipt of the letter from Texas State Bank and authorize execution of same.

6. **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 and the delinquent tax attorney's report for June 2008, a copy of which is attached hereto as Exhibit "F." It was noted that 96.7% of the District's 2007 taxes had been collected as of June 30, 2008. 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 the Tax Assessor and Collector's Report and to authorize payment of check numbers 1298 through 1312 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for June 2008, a copy of which is attached hereto as Exhibit "G." Mr. Mensik reported that 100.97% of the water pumped was billed for the month ending June 23, 2008. Mr. Mensik stated that the higher than normal water accountability is due to the District going on interconnect for approximately two hours.

In response to a question from Director Stine, Mr. Mensik stated that the June 2008 pumpage is higher than normal due to ongoing dry weather conditions.

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 Operations Report.

8. **Approve and authorize execution of Interlocal Agreement for Water Wise Program (2008-2009 school year).** The Board reviewed a proposed Interlocal Contract, a copy of which is attached hereto as Exhibit "H." It was noted that the cost of sponsorship has increased from \$32.75 per student to \$34.50 per student. 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 an Interlocal Agreement with Harris Galveston Coastal Subsidence District for the Water Wise Program (2008-2009 school year at Pine Forest Elementary School).

9. **Discuss and take action in connection with delinquent water accounts, including approving Settlement Disbursement and Release of Attorney in connection with collections by Margaret Poissant (Cathy Ingle – Acct. # 132-1635-02, 18931 Atasa Oaks Drive).** Ms. Cogburn presented to the Board the Settlement Disbursement and Release of Attorney in connection with the collection of funds for a delinquent account (18931 Atasca Oaks Drive), a copy of which is attached hereto as Exhibit "I." Ms. Cogburn noted that the District's portion of the collection on such account totaled \$95.79. 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 the Settlement Disbursement and Release of Attorney in connection with 18931 Atasca Oaks Drive - Acct. # 132-1635-02.

10. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that she is coordinating with Director Hughes regarding the proposed article list for the third quarterly newsletter.

Ms. Wynn presented to and reviewed with the Board information relating to the usage of the website, a copy of which is attached hereto as Exhibit "J."

11. **Authorize Director Hughes' security clearance for security related matters at District facilities and appoint secondary person to handle security related matters, including adoption of Resolution authorizing Director Hughes to act as District Peace Officer.** Discussion ensued. 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 appoint Director Hughes as the primary person to handle security related matters, to authorize the appropriate security clearance for Director Hughes, and to appoint Director Holder as the secondary person to handle security related matters.

Further discussion ensued. Director Hughes stated that he will coordinate with the Directors to prepare appropriate identification for security purposes.

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 a Resolution Authorizing Director Ray Hughes to Act as Peace Officer for the District pursuant to Section 49.216 of the Texas Water Code.

12. **Award contract for replacement of concrete fence at Water Plant No. One.** Ms. Zapletal reported that Tolunay-Wong Engineers, Inc. (“TWEI”) is in the process of obtaining utility locations prior to drilling. Ms. Zapletal noted that once the geotechnical investigation is complete, the foundations for the fence at Water Plant No. 2 can be drafted and the project advertised for bids.

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 “K,” and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Atascocita Commons Phase III: Nothing new regarding Phase III construction. Brown & Gay and ST are awaiting receipt of revised construction plans for Phase III (Target) from RG Miller Engineers. The backflow prevention for the fire line requires additional detail.
- b. Chateaux at Pinehurst Apartments: Brown & Gay has received confirmation from the City of Houston that updated signatures are not required for the construction plans. Brown & Gay received the attached letter summarizing Harris County’s acceptance of the plans for re-permitting since there are no proposed changes. The developer will be required to provide Brown & Gay and ST 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.
- c. La Quinta Inn & Suites (2.837 AC on Atascocita Road east of Town Center Boulevard): The project’s engineer, ICMC Group, Inc., is preparing utility construction plans for 61 guest rooms. No plans have been received to date.
- d. 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.
- e. Atascocita Lutheran Church: No plans have been received to date.
- f. Northeast corner of Atascocita Road and Town Center Boulevard: In May, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- g. Southwest corner of FM 1960 East & Atascocita Shores: In May, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- h. Atascocita Shores Personal Warehouse: Nothing new.
- i. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.

- j. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- k. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Future Sanitary Sewer Rehabilitation:

Brown & Gay provided the estimate of costs to First Southwest Company for their consideration as they calculate recommended tax rates for 2008.

Atascocita Joint Operations Board:

The application to renew the WWTP discharge permit is now under EPA review but has been delayed because the EPA and TCEQ are currently at odds due to a new testing requirement for bacteria monitoring favored by the EPA. Brown & Gay received a letter dated December 4, 2007 from the TCEQ stating that the current permit will remain in full force and will not expire until the TCEQ takes action on the renewal application and that there will be no penalties due to delays by the EPA.

14. **Acceptance of water line and fire hydrant easements in connection with Atascocita Commons Phase III.** Ms. Zapletal reported that Brown & Gay is awaiting receipt of the signed easements from Trammel Crow and Target.

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.** Ms. Zapletal reported that F&J reviewed the 55-foot Drainage Easement and confirmed that the easement is a valid public easement. Ms. Zapletal stated that a representative with Brown & Gay notified Mr. Cox that he cannot legally fill the ditch and block drainage from passing through the easement.

The President recognized Mr. Cox, a resident of Kings River Estates, Section Two, who inquired whether any current Board member worked for the District's engineer, Brown & Gay, at the time of the construction of the original drainage within Kings River Estates, Section Four. The President advised Mr. Cox that none of the Board members worked for Brown & Gay and that the Board members are required to file affidavits disclosing any conflicts of interest. The President noted that such affidavits are available through an Open Records Request. Mr. Cox stated that he is not in favor of the proposed drainage plans to alleviate flooding problems within Kings River Estates, Section Four and noted that he has been trying to get Harris County to address problems with the drainage ditch behind his home for over four years, but to no avail. The Board President suggested that Mr. Cox present such issues to the Board. Mr. and Mrs. Composto and Mr. Bowman, residents of Kings River Estates, Section Four, stated that they are not in favor of the proposed drainage plans or the assessment by the homeowner's association to fund a portion of the storm sewer construction. Mr. Bowman stated that he performed his due diligence before purchasing his house and does not believe that he should have to assist in paying for drainage problems. Extensive discussion ensued. Mr. Cox inquired whether an engineering study has been performed in connection with the effect of the new drainage improvements within

Kings River Estates, Section Four on the surrounding areas. Director House and Ms. Zapletal stated that such study of the drainage calculations was performed approximately three months ago and reviewed for conceptual approval from Harris County. Ms. Zapletal stated that, based on such study, the drainage improvements will not negatively impact the outfall channel or any of the areas downstream from Kings River Estates, Section Four. In response to a question from Mr. Cox, Ms. Zapletal stated that she did not have the study calculations at the meeting. The President then stated that Mr. Cox can obtain the study and drainage calculations through an Open Records Request. The President also noted that the District has a policy for comments from the public. The President requested that any future comments from the public be presented during the "Public Comments" section of the agenda and noted that such comments need to be limited to three minutes per person.

Ms. Zapletal stated that TWEI provided a proposal in the amount \$3,900.00 for geotechnical investigation and report services for the diversion swale, berm and outfall channel excavation, a copy of which is attached to the Engineer's Report. Brown & Gay recommends authorization of the work by TWEI. 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 proposal from TWEI in the amount of \$3,900 for geotechnical investigation and report services in connection with the diversion swale, berm and outfall channel excavation.

Ms. Zapletal stated that TWEI provided a proposal in the amount \$2,400.00 for geotechnical investigation and report services for the internal storm sewer improvements in Kings River Estates, Section 4 ("KRE4"), a copy of which is attached to the Engineer's Report. Brown & Gay recommends authorization of the work by TWEI. The costs of this report will also be shared by the District (70%) and the KRE4 HOA (30%). The cost for geotechnical engineering services was included in the estimate of costs for the project. 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 proposal from TWEI in the amount of \$2,400 for geotechnical investigation and report services for the internal storm sewer improvements in Kings River Estates, Section 4.

Ms. Zapletal stated that Harris County Engineering responded agreeably to the detailed drainage calculations and exhibits provided to the County for consideration after the May meeting. With approval of the concept by Harris County, the proposed diversion swale would be constructed behind the western lots and outfall to the existing dual 24-inch pipes and two proposed additional 36-inch pipes crossing Kings River Drive to accommodate the volume of sheetflow. A concern by the homeowners has become the necessary removal of trees and underbrush to accommodate the construction of the berm and swale improvements. Brown & Gay has prepared a few options of alignment to install the swale outside the limits of the treeline on the golf course and the berm on the rear of the residential lots. The option has not been presented to the golf course for approval. The golf course and the owners of each of the lots will be required to dedicate easements for this construction. Brown & Gay requests a field meeting with the golf course and Director House to stake an agreed-upon alignment to be able to proceed with the final construction plans.

Ms. Zapletal stated that, if approved at this meeting, Brown & Gay will continue with preparation of the construction plans for the Option B storm sewer design and will obtain

agency approvals necessary to advertise for bids. 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.

17. **Status update on implementation of GIS System.** Ms. Zapletal reported that Brown & Gay has completed the remainder of surveying for the GIS in early June. The GIS is currently undergoing quality review. The goal is still to have the database accessible through the private website in July 2008. Brown & Gay requests an executive session agenda item for presentation at the August meeting.

18. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** At 6:55 p.m., the Board convened in executive session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.

19. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** At 7:06 p.m., the Board convened in executive session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security matters.

The Board reconvened in open session at 7:10 p.m.

20. **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 August 21, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)

