

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 16, 2009

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 April 16, 2009 at 6:00 p.m.; whereupon the roll was called of the Board, 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 Hughes. 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. Larry Jones of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Mr. Noel Barfoot of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Locke Braly, a developer of land in the District; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

Call to Order. The Vice 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 March 12 and March 19, 2009, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, 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 meetings of March 12 and March 19, 2009, as presented.

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

3. **Discuss and take action in connection with security contract with ADT and payment of same.** Ms. Cogburn reported that Mr. Sandefer with ADT reported that as of April 16, 2009, all of ADT’s security system equipment has been installed and ADT is attempting to coordinate with ST to set up an on-site meeting with AT&T. In response to a question, Mr. Jones stated that ADT can coordinate with him to schedule the necessary meeting. Ms. Cogburn stated that she will provide Mr. Jones’ contact information to Mr. Sandefer.

4. **Engage auditor for fiscal year ending May 31, 2009.** The Vice President recognized Mr. Barfoot, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending May 31, 2009, a copy of which is attached hereto as Exhibit "B." Mr. Barfoot stated that the estimated cost for 2009 is \$15,000-\$16,000. 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 engage McCall, Gibson & Company, PLLC to perform the District's audit for fiscal year ending May 31, 2009, and to authorize the Vice President to execute the auditor engagement letter.

5. **Review Bookkeeper's Report and Investment Report.** The Vice President recognized Ms. Conley, who presented to and reviewed with the Board the Bookkeeper's Report for the period ending April 16, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "C."

In response to a question from Director Stine, Ms. Conley stated that she will verify the energy recap summary numbers and calculations and email the Board by the end of next week with a revised summary.

Upon motion by Director Haney, 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 for the period ending April 16, 2009, to approve the Investment Report, and to authorize payment of check numbers 6452 through 6478 from the Operating Account and check number 5084 from the Capital Project Account, all as listed in the Bookkeeper's Report.

6. **Adopt budget for fiscal year ending May 31, 2010.** Director Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2010, a copy of which is attached hereto as Exhibit "D." Discussion ensued regarding the proposed budget. Director Stine recommended that the Board and consultants review the proposed budget and provide any input to him prior to the next Board meeting. Director Stine stated that the budget was being finalized and requested that Brown & Gay to provide final input to permit the budget to be completed for presentation at the May 2009 meeting.

7. **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 March 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 95.7% of the District's 2008 taxes had been collected as of March 31, 2009. Upon motion by Director Haney, 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, to authorize payment of check numbers 1395 through 1403 from the Tax Account to the persons, in the amounts, and for the purposes listed therein, and to authorize the tax assessor and collector to move three accounts to the uncollectible tax roll.

8. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for March 2009, a copy of which is attached hereto as Exhibit "F." Mr. Jones reported that 99.88% of the water pumped was billed for the month ending March 24, 2009.

Mr. Jones reported that Mr. Mensik is organizing all the work orders related to the emergency point repairs performed on the sanitary sewer line located on Atascocita Point Drive.

In response to discussion regarding the amount of delinquent accounts, Mr. Jones stated that he will provide the Board with a historical analysis (18 months) of delinquent accounts in the District.

Upon motion by Director Holder, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to authorize termination of service to delinquent accounts.

9. **Discuss and take necessary action in connection with “Lock Box” water bill payment system (variety of payment options).** Mr. Jones reported that ST has been coordinating with Compass Bank to obtain an agreement between Compass Bank and the District for a “lock box” payment system, which would allow District customers a variety of options for bill payment. Discussion ensued. Mr. Jones stated that any costs associated with the type of payment will be assessed to the customer and will range from \$1.00 to \$5.00 per payment, depending on the form of payment. Upon motion by Director House, 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 electronic payment service documents with Compass Bank.

10. **Review Drought Contingency Plan.** Ms. Cogburn reported that the District is required to review its Drought Contingency Plan every five years. The Board reviewed the Drought Contingency Plan, a copy of which is attached hereto as Exhibit “G.”

11. **Status of repairs to former temporary lift station site (Tammarron).** Mr. Jones reported that ST has completed the necessary repairs to the old Tamarron lift station site to restore the site to its condition previous to the construction of the temporary lift station.

12. **Review and take necessary action in connection with request regarding providing service to proposed fishing supply store.** Ms. Cogburn reported that the District received a capacity commitment ‘variance request’ from Key Outdoors, a copy of which is attached to the Engineer’s Report. Ms. Cogburn stated that Key Outdoors is requesting permission to not obtain water and sewer service from the District and utilize the facilities at the Metro Church. Discussion ensued. It was the consensus of the Board to send a letter to Key Outdoors informing them that the District does not determine or give advice on whether a home, business or entity needs water or sewer service, but the District’s rules do mandate that, to the extent that a home, business or entity needs water and/or sewer service, they can NOT obtain it through any type of connection to another business, home or church, through a hose, pipe or any other device.

13. **Discuss and take action in connection with request from Atascocita Country Club regarding termination of Amended and Restated Agreement for Maintenance of Drainage Ditch.** Ms. Cogburn stated that she previously discussed the matter of the maintenance of the drainage ditch located north of Rebawood Drive in Pinehurst of Atascocita, Section Seven near the No. 16 green of the Atascocita Country Club with the Country Club’s

attorney. Ms. Cogburn stated that she explained to the Country Club's attorney that the District will not maintain the golf course amenities (i.e. water hazards) as part of the drainage ditch maintenance agreement. Ms. Cogburn stated that the Country Club has asked the District to terminate the Agreement for Maintenance of a Portion of the Harris County Flood Control Ditch No. G103-29-00. Discussion ensued. It was the consensus of the Board to table this item until the next Board meeting.

14. **Discuss and take any action in connection with District communications.** Ms. Christensen reported that Ms. Wynn is coordinating with Director Hughes regarding the next quarterly newsletter and associated articles. Discussion ensued regarding article topics. Director Stine requested that Ms. Christensen confirm with Ms. Wynn that the article regarding the proposed tax increase for the Atascocita Volunteer Fire Department will be distributed prior to the May 9, 2009 election regarding same.

15. **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 "H," and which follows in substantially the form it was presented:

Water Plants No. 1 and 2 Fence Replacements and Landscape Improvements:

Five submittals have been reviewed and approved to date. Two submittals for irrigation system items were received yesterday and will be reviewed by the middle of next week. Upon initial review of the plans for the Atascocita Sports Complex, additional land dedicated for Water Plant No. 2 was identified. The attached exhibit shows the additional 0.1607 acres. Fencing this area will require an additional 105 linear feet of fencing. Brown & Gay requests the Board's consideration of fencing the entire deeded area and authorization to negotiate with the contractor for the additional work based on bid prices received. Brown & Gay estimates this increase will be less than \$12,000.

Upon motion by Director Haney, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the additional 105 linear feet of fencing and to authorize Brown & Gay to negotiate with the contractor for the additional work based on bid prices received.

Construction Plan Review:

- a. Chateaux at Pinehurst Apartments: Brown & Gay approved the plans in October 2008. The developer is 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. Brown & Gay has not yet received records of a video inspection.
- b. NE Corner of Atascocita Road & Town Center Boulevard (Bank to be constructed on 1.853 AC): Brown & Gay provided Bury+Partners the plans and District submittal requirements in October 2008.
- c. Rowland Interests- Atascocita Sports Complex (19505 West Lake Houston Parkway): Brown & Gay and ST provided an estimate for tap expenses for Mr. Rowland to

update his construction financing. Bury+Partners has provided preliminary construction plans for review. Brown & Gay will be coordinating with ST and responding to Bury+Partners within the next week. Mr. Rowland has been advised that the utility commitment for the property will need to be renewed.

- d. Atascocita Lutheran Church: No plans have been received to date.
- e. Southwest corner of FM 1960 East & Atascocita Shores: Nothing new.
- 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.

Atascocita Joint Operations Board:

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 February 2009 indicates an average daily flow of 4.327 mgd or 270 gpd/c. Rainfall for the month was 2.7 inches. The warranty for the new plant equipment expired on February 28, 2009, one year from the date the TCEQ approved the work. Brown & Gay requested that LEM inform Brown & Gay when all warranty issues have been resolved so an inspection can be performed. There are also punch list items that are not warranty items but have been requested as additional work by Severn Trent (such as reprogramming). LEM has the option to “abandon” these items if they choose and leave them to Severn Trent to complete. However, it is Brown & Gay’s experience that LEM is a responsible contractor and will not leave a job unfinished. Brown & Gay has requested that LEM continue working with Severn Trent to complete all items that have been identified to date.

The manufacturer, Environmental Improvements, Inc. (EI²), has provided an additional one year extended warranty on the bar screen, which will expire on March 1, 2010. For the extended warranty to remain valid, EI² will provide a maintenance log sheet for Severn Trent to use and will require that this log sheet be kept up-to-date and available at the plant for inspection.

Upon motion by Director House, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer’s Report.

16. Authorize notification to TCEQ regarding use of Surplus Capital Project Funds (disinfection system and Atascocita Point Sewer Line repairs). Ms. Zapletal presented to and reviewed with the Board a draft of the letter notifying the TCEQ of the District’s proposed

use of Surplus Capital Project Funds for the Atascocita Point Drive sewer line repair and the conversion of the disinfection systems at water plant nos. one and two, a copy of which is attached to the Engineer’s Report. Ms. Zapletal stated that the costs of both projects will total approximately \$134,943. Ms. Zapletal stated that, if the Board concurs, the District also has approximately \$385,000 additional surplus capital funds that could be added to this letter and utilized for the sanitary sewer rehabilitation project. Discussion ensued. It was the consensus of the Board that the engineer include any pending/potential construction projects in the letter to the TCEQ in the event some of the remaining surplus funds can be utilized for such projects.

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 authorize the engineer to finalize and send the notification letter to the TCEQ.

17. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that no capacity commitment requests have been received since the last meeting.

18. **Award contract for the next phase of the sanitary sewer rehabilitation.** Brown & Gay has compiled the scope of work for this phase of sanitary sewer rehabilitation based on priorities one through three as identified after televising the sewer mains. For construction and cost efficiencies, there will also be several adjacent “no comment” segments rehabilitated. Portions of the following areas are included for rehabilitation under the scope of this project:

▪ Atascocita Shores, Sections 1, 3, 4, 5	▪ Pinehurst of Atascocita, Section 2, 3, 4, 11
▪ Estates of Pinehurst	▪ Atascocita Town Center, Sections 1 and 2
▪ Golf Villas	▪ Pinehurst of Atascocita/Atascocita Shores (trunk mains)
▪ Pines of Atascocita, Sections 1 and 2	

Brown & Gay has estimated the following updated schedule for the project:

- Authorization to advertise received March 19, 2009
- All sets of plans have been submitted to Harris County for review; comments received on all but one set
- Submit for signature approvals to have all plans approved by end of April 2009
- If scope does not change, begin advertising for bids on April 22, 2009 for presentation at May 2009 meeting
- If scope changes, begin advertising for bids in May 2009 for presentation at June 2009 meeting
- Estimated Notice to Proceed: one month after award of contract

Brown & Gay would like to inform the Board on the extremely competitive bids on another sewer rehab project on April 1, 2009. The Board previously advised that the rehabilitation could be divided for completion in two fiscal years (2010 and 2011) based on Brown & Gay’s estimate in summer 2008. With the extremely competitive nature of construction bidding, the District may be able to complete the entire scope of work in one large project and save about \$250,000 to

\$400,000. Completing the work in one project would be a savings of money and reduce potential duplication of disruption to the residents if the Board chooses.

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 authorize the engineer to include the sanitary sewer rehabilitation work proposed for fiscal year ending 2011 in revised bid documents and specifications and revise the construction timeline over a two-year period.

19. Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 (“KRE4”), including award contract for construction of improvements. On April 2, 2009, Brown & Gay received eight bid proposals for Diversion Swale and Berm for Kings River Estates, Section Four, a copy of the bid tabulation is attached to the Engineers’ Report. C.E. Barker, Ltd. submitted the lowest total bid of \$249,678.57. The contractor has successfully completed numerous similar projects for developments in Houston and the surrounding areas. Based on the bid submitted, it is recommended that C.E. Barker, Ltd. be authorized to perform this work for the proposed amount of \$249,678.57, contingent upon receiving approved plans and verification of the contractor’s bonds and insurance coverage.

On April 7, 2009, Brown & Gay received five bid proposals for Kings River Estates, Section Four Drainage Improvements, a copy of the bid tabulation is attached to the Engineers’ Report. C.E. Barker, Ltd. submitted the lowest total bid of \$337,586.70. Based on the bid submitted, it is recommended that C.E. Barker, Ltd. be authorized to perform this work for the proposed amount of \$337,586.70, contingent upon receiving approved plans and verification of the contractor’s bonds and insurance coverage. Upon the Board’s approval, Brown & Gay will send notice to the Kings River Estates No. 2 Property Owners Association, Inc. (“POA”) and begin immediately to prepare and circulate the appropriate contract documents for execution. After notification of award by the District, the POA will have 45 days to deposit construction funds with the District’s bookkeeper pursuant to the draft of the Maintenance Contract.

Tolunay-Wong Engineers, Inc. (“TWEI”) is preparing a proposal for construction material testing services for the Diversion Swale and Berm for Kings River Estates, Section Four project. TWEI estimates the proposal amount will not exceed \$4,000. This amount is less than the funds previously budgeted for this work. Brown & Gay requests authorization to proceed with approval of the proposal if the amount does not exceed this estimate.

TWEI is also preparing a proposal for construction material testing services for the Kings River Estates, Section Four Drainage Improvements. TWEI estimates the proposal amount will not exceed \$5,500. This amount is less than the funds previously budgeted for this work. Brown & Gay requests authorization to proceed with approval of the proposal if the amount does not exceed this estimate.

F&J has compiled the easement documents for execution and recordation.

For construction plan signature approvals, Brown & Gay will be required to provide Harris County copies of the POA’s signed maintenance certificate and of the executed Maintenance Contract for the internal storm improvements.

Upon motion by Director House, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to award the contracts for construction of the diversion swale and berm and the internal drainage improvements to serve Kings River Estates, Section Four to the low bidder, C.E. Barker, Ltd., in the amounts of \$249,678.57 and \$337,586.70 and to approve and authorize execution of the proposals from TWEI for the construction materials testing for both projects.

Ms. Christensen reported that the revised Agreement between the POA and the District for Construction and Maintenance of Internal Storm Sewer Improvements to Serve Kings River Estates, Section Four was provided to the POA for review and approval after the last Board meeting. Mr. Braly reported that the fee assessment letter has been sent to the property owners within Kings River Estates, Section 4.

20. **Discuss and take action in connection with request from Atascocita Country Club regarding termination of Amended and Restated Agreement for Maintenance of Drainage Ditch.** Ms. Zapletal reported that Brown & Gay and ST have walked the drainage channel alignment and Brown & Gay is currently trying to estimate improvement costs. Brown & Gay would like to coordinate further with F&J regarding Brown & Gay's recommendations for a permanent maintenance contract with a qualified contractor to make improvements and provide maintenance services on a regular basis. Brown & Gay requests input on the Board preference to request proposals from maintenance contractors before or after the AWBD summer conference. The AWBD conference may allow the Board time to speak directly to maintenance representatives in advance of reviewing proposals for maintenance services.

Brown & Gay previously provided budget estimates for the improvement and maintenance work and feels that the budgeted amount should be increased.

21. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** The Board did not convene in executive session at this time.

22. **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.

23. **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
May 21, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)