

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 17, 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 Golf Club, 20114 Pinehurst, Humble, Texas, 77346, on September 17, 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 Directors Hughes and Haney. Also attending all or parts of the meeting were Ms. Brenda McLaughlin of Bob Leared Interests, tax assessor and collector for the District; Ms. Freida 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 of Brown & Gay Engineers, Inc. (“*Brown & Gay*”), engineer for the District; Mr. Mike McCall and Ms. Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditor for the District; Ms. Colleen Rose and Mr. Colin Henderson, residents of 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 meeting of August 20, 2009, previously distributed to the Board, were presented for approval. 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 the minutes of the meeting of August 20, 2009, as presented.

2. **Receive comments from the public.** The Vice President recognized Ms. Colleen Rose, who inquired about the status of the sale of the Atascocita Golf Club. Director Stine reported that the District has not received any requests or communications from the new owners of the Atascocita Golf Club.

The Vice President recognized Mr. Colin Henderson (8303 Amber Cove Drive). Mr. Henderson reported that he and his wife previously called the District’s operator because their house was experiencing low water pressure. Mr. Henderson requested that the Board provide him with some financial consideration because the District’s operator did not locate the water

line leak. It was noted by the Board that the District and its operator are not responsible for locating water line leaks on the homeowner's water line. Mr. Mensik noted that Mr. Henderson was credited a portion of the sewer charges on his bill because the leak was in his irrigation line. Discussion ensued. Mr. Mensik stated that he will locate all of the work orders associated with the address and provide such information to the Board. It was the consensus of the Board to deny Mr. Henderson's request.

There were no additional comments from the public at this time.

3. **Discuss and take necessary action regarding the Atascocita Golf Club and golf course property.** It was noted that the District has not received any requests from the new owners of the Atascocita Golf Club.

4. **Approve audit for fiscal year ended May 31, 2009.** Mr. McCall presented to and reviewed with the Board McCall Gibson Swedlunds & Barfoot, PLLC's audit management letter and the draft of the audit for fiscal year ended May 31, 2009, a copy of which is attached hereto as Exhibit "B." In response to a question, Mr. McCall stated that a summary of the agreement with the Atascocita Golf Club will be added to the footnotes of the audit. 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 the audit for fiscal year ending May 31, 2009.

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 September 17, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending September 17, 2009, to approve the Investment Report, and to authorize payment of check numbers 6609 through 6676 from the Operating Account and check numbers 5094 and 5095 from the Capital Project Account, all as listed in the Bookkeeper's Report.

Discussion ensued regarding the timing of the invoices received from ADT. In response to a question, Ms. Conley stated that she will contact ADT to determine if the billing dates can be changed.

6. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the draft of the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "D." Ms. Cogburn stated that the District is required to file such report pursuant to the bond orders for the District's 2000, 2003 and 2006 bond issues. 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 the Annual Report on Financial Information and Operating Data and to authorize the filing of same, subject to finalization of the report.

7. **Discuss and take necessary action in connection with current electricity rates and electricity contract with Suez.** The Board reviewed proposals from Eisenbach Consulting

for the renewal of the District's electricity contract that expires at the end of September, copies of which are attached hereto as Exhibit "E." It was noted that there are bid tabulations for a 12, 24, 36 and 48 month contract. Discussion ensued. Upon motion made by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Haney to coordinate with Eisenbach Consulting to obtain current pricing and to execute the most advantageous 36 month contract.

8. **Review Tax Collector's Report and authorize payment of certain bills.** Ms. McLaughlin presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of August 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "F." Ms. McLaughlin noted that 98.5% of the District's 2008 taxes had been collected as of August 31, 2009. 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 the Tax Assessor and Collector's Report and to authorize payment of check numbers 1459 through 1465 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The Board reviewed a cash flow analysis and recommendation for levying the 2009 tax rate prepared by the District's financial advisor, a copy of which is attached hereto as Exhibit "G." Ms. Cogburn noted that the financial advisor is recommending that the District assess a debt service tax rate of \$0.25 per \$100 of assessed valuation, which is an increase of \$0.01 from the 2008 debt service rate. Ms. Cogburn noted that the financial advisor did not take into account the approximately \$70,000 that was transferred from the tax account to the debt service fund this month when calculating the recommended debt service rate. Discussion ensued. The Board reviewed the draft Order Designating Officer to Calculate and Publish Tax Rate for 2009, a copy of which is attached hereto as Exhibit "H." 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2009, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.335 for \$100 assessed valuation (\$0.24 for debt service and \$0.095 for operations and maintenance).

10. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for August, 2009, a copy of which is attached hereto as Exhibit "J." Mr. Mensik reported that 99.79% of the water pumped was billed for the month ending August 18, 2009.

Mr. Mensik reported that the contractor for the rehabilitation of sanitary sewer lines has been opening the fire hydrants to fast, which is causing a substantial amount of "dirty water" complaints from residents. Ms. Zapletal stated that she will contact the contractor to resolve the issue.

Mr. Mensik reported that ADT is scheduled to reprogram the damaged cameras at the Rebawood Water Plant. Mr. Mensik stated that the cameras were damaged during the water plant fence replacement.

Mr. Mensik reported that ST is awaiting delivery of the chlorine building to proceed with the water plant disinfection system improvements. Mr. Mensik noted that the building should be delivered in eight weeks.

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 the Operations Report and to authorize termination of service to delinquent accounts.

11. **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:

Use of Surplus Capital Projects Funds:

The following table summarizes the *non-audited* actual costs versus the estimated costs included in the notification letter sent to the TCEQ for use of \$519,925 surplus capital projects funds for various repairs pursuant to 30 T.A.C. §293.83(c)(3)(A) and (B). The District’s auditor will include notes in the annual financial reports for fiscal years in which these funds are distributed.

Project Name	Original Estimated Surplus Funds	FYE 2009 Surplus Funds Used As of 05/21/09	FYE 2010 Surplus Funds Used As of 09/17/09	Total Actual Project Expenses (non- audited)
Atascocita Point Drive SS repair				
- Construction costs incurred by ST *	\$ 70,000	\$ 34,115.26	\$ 62,333.88	\$ 96,449.14
Water Plant Disinfection modifications				
- Engineering and construction costs	\$ 37,443	\$ 9,075.93	\$ 15,478.42	\$ 24,554.35
Water Plant Fence Replacement Project				
- Construction costs	\$ 215,000	\$ -	\$174,508.20	\$174,508.20
Sanitary Sewer Rehabilitation, Phase IV				
- Construction costs (as funds available)	\$ 197,482	\$ -	\$ -	\$ -
TOTALS	\$519,925	\$ 43,191.19	\$252,320.50	\$295,511.69

*Note: The reimbursement to the GOF was approved in the August 20, 2009 bookkeeper’s report.

Construction Plan Review:

- a. Atascocita Shores, Section 2, Lot 9, Block 5: Brown & Gay provided utility plans and capacity commitment request procedures to Benchmark Engineering for use in the development of this lot. Although no plans and no commitment request have been received, the owners of this lot are reviewing options to develop three to four single-family homes on the property, which is primarily located within the City of Houston.
- b. Chateaux at Pinehurst Apartments: Nothing new. Brown & Gay approved the plans in October, 2008. 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.

- c. NE Corner of Atascocita Road & Town Center Boulevard (Bank to be constructed on 1.853 AC): Nothing new. Brown & Gay provided Bury+Partners the plans and District submittal requirements in October, 2008.
- d. Rowland Interests-Atascocita Business Park/Sports Complex (19505 West lake Houston Parkway): Nothing new. The preliminary construction plans submitted by H2B, Inc. have been reviewed and comments provided to the engineer.
- e. Atascocita Lutheran Church: Brown & Gay has contacted the Pastor for additional details and construction plans as necessary but has not yet received a response or plans.
- f. Southwest corner of FM 1960 East & Atascocita Shores: Nothing new.
- g. Atascocita Shores Personal Warehouse: Nothing new.
- h. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- i. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- j. NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

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

Twelve submittals have been received and approved to date.

CenterPoint Energy provided the attached (pg. 7) invoice in the amount of \$830.00 for relocation of the existing gas meter at Water Plant No. 2 (West Lake Houston Parkway). Additionally, the "Conditions" sheet must be signed by the Board (pg. 8) prior to work beginning. CenterPoint estimates the work will begin within one week after receiving payment.

Pay Estimate No. 3 from T&C Construction. Ltd. in the amount of \$43,753.50 has been reviewed and is approved for payment (pgs. 9-14). This invoice includes payment for completion of demolition, temporary fencing, and new brick fencing at Water Plant No. 1 (Rebawood). Funds totaling ten percent of the work completed to date (\$19,389.80) remain on retainage.

Construction of the new fencing at both water plants is approximately 95% complete. Per the contractor, gates to both plants will be welded in place before the end of the day on Friday, September 18, 2009. Irrigation installation at Water Plant No. 1 (Rebawood) is underway and landscaping will follow.

In response to a question from Director Stine, Brown & Gay confirmed the color of the brick (ACME Smokey Mountain) is the color originally chosen by the Board and specified in the construction plans.

Discussion ensued regarding the appearance of the interior (north) fence panels at water plant no. two (W. Lake Houston Parkway). In response to a question, Ms. Zapletal stated that she will inspect the fence and report back to the Board.

Water Plants No. 1 and 2 Disinfection System Improvements:

Construction is underway by Severn Trent. As part of the “conditional” approval and required communication with the TCEQ, Brown & Gay must notify the TCEQ when construction is complete and ready for inspection. Brown & Gay must also certify that the work is completed as approved in the plans. Brown & Gay will continue to communicate with Severn Trent throughout the project to satisfy these conditions.

Hurricane Ike Letter from Governor’s DEM and FEMA:

Brown & Gay has not received additional confirmation of whether a revised reimbursement worksheet will be presented to the District. Myrtle Cruz, Inc. and Severn Trent Services may contact F&J and Brown & Gay if they receive any questions or information from the DEM or FEMA regarding an additional reimbursement.

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

Brown & Gay continues to maintain a compilation of the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. The compilation through August 2009 is awaiting connection counts. Rainfall during August totaled 8.6 inches.

AJOB is waiting for the TCEQ’S instructions on making the required \$10,000 Supplemental Environmental Project payment to the Gulf Coast Waste Disposal Authority. The issue appeared on the September 9, 2009 TCEQ Commissioners agenda for approval. Brown & Gay and AJOB are still awaiting formal approval and instructions to make payment.

The updates to the stormwater pollution prevention plan, which include identification of new sampling points and revisions to the manual and exhibits, are currently underway.

Severn Trent is having a delay with the delivery of the cover of the lift station influent. Upon receipt of the cover, the mister system will also be installed by Severn Trent. Brown & Gay has not received any additional resident complaints about odor.

Sanitary Sewer Rehabilitation, Phase IV:

Portions of the following areas are included for rehabilitation under the scope of this project:

- Atascocita Shores, Sections 1-5; Atascocita Villas
- Pinehurst of Atascocita, Sections 1-4, 7, 11; Estates of Pinehurst; Golf Villas
- Pines of Atascocita, Sections 1 and 2

- Atascocita Town Center, Sections 1 and 2
- Pinehurst of Atascocita/Atascocita Shores (trunk mains)

Insituform Technologies has subcontracted Chief Environmental for the pre- and post-construction cleaning and televising work. To date, Brown & Gay has reviewed 9,755 LF of pre-construction televising. The contractor expects to complete pre-construction televising early next week and then begin point repairs and liner installation. Brown & Gay expects to present the first pay request in October.

Emergency Preparedness Plan (EPP) Regulations:

Senate Bill 361 requires that certain water providers ensure emergency operations and maintain 35 PSI of pressure during extended power outages, which is defined as longer than 24 hours. The TCEQ has drafted an EPP template and Rule modifications for review as of August 14, 2009 and is required to approve the new regulations by December 1, 2009. “Affected” utilities shall prepare and submit an EPP by March 1, 2010. Upon approval by the TCEQ, the EPP must be implemented by July 1, 2010. The District meets the definition of an “affected” utility because it is a retail public entity that serves more than one customer and is located in a county with a population of 3.3 million or more.

Brown & Gay requests the Board’s authorization to coordinate with F&J and ST for interpretation of the draft Rules and for preparation of the District’s Emergency Preparedness Plan for review and approval by the Board.

New EPA rules related to groundwater:

The EPA has mandated additional requirements to provide increased protection against microbial pathogens in public water systems that use ground water sources (known as the “Ground Water Rule”). Excerpts of tables from the EPA’s website are attached to this report (pgs. 15-20).

Excerpt of explanation from EPA website:

<http://www.epa.gov/EPA-WATER/2006/November/Day-08/w8763.htm>

“To provide a flexible, risk-targeted approach to achieve public health protection, this rule builds on existing State programs--some that emphasize the importance of disinfection and others that emphasize assessments and technical assistance--to identify and target susceptible GWSs. In addition, the GWR establishes treatment technique requirements, which provide public GWSs with multiple options to correct source water fecal contamination and significant deficiencies that present a public health risk. Furthermore, this rule establishes compliance monitoring requirements to ensure that treatment effectiveness is maintained.”

Breakdown of compliance deadlines:

- 12/01/2009 – District notify the TCEQ of the chosen means of compliance
- Beginning 12/01/2009, the District begins preparing for its chosen means of compliance
- 12/31/2012 – TCEQ must complete sanitary surveys for most systems

Brown & Gay requests the Board's authorization to begin coordinating with ST to review compliance options feasible for the District and estimate associated costs that may be incurred as a result of compliance with this rule.

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 Engineer's Report, to approve Pay Estimate No. Three in the amount of \$43,753.50 to T&C Construction. Ltd. in connection with the fence replacement and landscaping improvements at water plant no. one and water plant no. two and authorize payment of same, to authorize payment of \$830 to Centerpoint Energy for the relocation of the existing gas meter at water plant no. two (West Lake Houston Parkway), to authorize the engineer to coordinate with ST to prepare the required Emergency Preparedness Plan, and to authorize the engineer to coordinate with ST to review compliance options feasible for District in connection with new EPA rules related to groundwater.

12. **Review and authorize capacity commitment letters.** Ms. Zapletal noted that nothing new has occurred since the last meeting on this matter.

13. **Discuss and take necessary action in connection with request from QLS for capacity to serve proposed fitness center on former golf course property.** Mr. Kyle Bauer, the owner and managing member of QLS Family Fitness, previously requested service to the tennis and pool facilities (on approximately 10.076 acres) that are not currently located within the District's boundaries. Based on Mr. Bauer's estimate at the August 20, 2009 meeting, the capacity needs are approximately 40,000 gallons per month or 1,333 gpd (rounded to 3ESFC). This information will be provided monthly for the Board's reference and authorization upon receipt of additional capacity information from Pinehurst Trail Holdings, LLC and advice from F&J on how to handle the utility service agreements.

14. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4"), including award contract for construction of improvements.**

Diversion Swale and Berm for Kings River Estates, Section Four:

a. C.E. Barker, Ltd submitted the submitted the lowest total bid of \$249,678.57 on April 2, 2009. The contracts signed by the Board but are still pending final award and distribution until receipt of Harris County signatures on the plans. Harris County Flood Control District ("HCFCD") approved the original plans this project on July 28, 2009. Due to the extent of revisions, a new version of the construction plans has been completed for final signature approvals by Harris County.

Since the last meeting, the construction plans were reviewed by Harris County and mylars were returned for signature approvals.

Tolunay-Wong Engineers, Inc. ("TWEI") provided the attached revised Proposal No. P09-C175 for construction material testing services in an estimated amount of \$6,846.00 (pgs. 21-24). This is an increase from the original proposal amount of \$4,078.00 due to

additional construction observation and laboratory testing of utility backfill and slope paving samples. Fees will be invoiced based on actual expenses incurred during construction.

The contractor is working on the breakdown of the costs for non-bid items but has already confirmed the use of bid prices for the extended box culvert. The draft of the summary for Change Order No. 1 is attached for reference (pgs. 24A-24B). This does not yet reflect increases due to construction items added to the scope of work. Deletions and anticipated Quantity Adjustments for original bid items are shown in this summary. Ms. Zapletal reported that Brown & Gay did not receive the costs for increases due to construction items added.

The required Small Construction Site Notice (SCSN) and Storm Water Pollution Prevention Plan (SWPPP) documents will be finalized once the construction dates are known.

- b. Drainage Improvements (internal improvements) for Kings River Estates, Section Four: C.E. Barker, Ltd submitted the lowest total bid of \$337,586.70 on April 7th. Notice to Proceed was issued for June 15, 2009. The required SCSN and SWPPP documents have been provided to the MS4 Operator, Harris County.

Pay Estimate No. 3 from C.E. Barker, Ltd. in the amount of \$21,537.44 has been reviewed and is approved for payment (pgs. 25-36). The District's 70% share of this invoice is \$15,076.21. The POA's 30% share is \$6,461.23. This invoice includes payment for completion of the slope paving, the 6-inch concrete curb and gutter swale and related appurtenances, driveway repairs, onsite placement of utility spoil material, and sod. Funds totaling five percent of the completed work (\$13,460.20) remain on retainage.

C.E. Barker has completed installing the concrete curbing and swales to the new inlets. Adjustments to a few utilities will still be required after final grading occurs and prior to the completion of the project. The final TCEQ inspection will be conducted on Wednesday, September 30, 2009 at 10 a.m. Resident Inspection Comments are requested to be returned to BGE by noon on Friday, September 25, 2009.

Embarq has not yet provided an invoice for the two phone line relocations they performed at a previously estimated not-to-exceed cost of \$750.00 per relocation. Embarq has determined it will relocate an existing junction box but that cost should not be billed to the contractor.

On behalf of the POA, Brown & Gay has asked for documentation of reimbursements requested for repairs due to the contractor's damages. If necessary, payment will be withheld from the contractor's final pay request.

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 revised

proposal from Tolunay-Wong Engineers, Inc. in the amount of \$6,846 (increased from \$4,078) for additional construction observation and laboratory testing of utility backfill and slope paving samples, to approve Pay Estimate No. Three in the amount of \$21,537.44 (\$15,076.21 is District's share) in connection with the drainage improvements (internal) to serve Kings River Estates, Section Four, and to approve Change Order No. One in connection with the diversion swale and berm (with a net effective increase to the contract not to exceed \$5,000).

15. **Discuss and take any action in connection with District communications.** The Board reviewed the proposed outline and summary update for the Fall newsletter, a copy of which is attached hereto as Exhibit "K."

16. **Discuss and take action in connection with request from Atascocita Golf Club regarding termination of Amended and Restated Agreement for Maintenance of Drainage Ditch.** Director Stine stated that the drainage ditch is overgrown, filled with debris and some of the culverts are blocked. Discussion ensued. Ms. Zapletal stated that she will coordinate with ST to inspect the drainage ditch and make a recommendation to the Board for cleaning the ditch.

17. **Discuss and approve Atascocita Joint Operations Board ("AJOB") expenditure for compactor at lift station.** Director Stine reported that AJOB is considering expending approximately \$100,000 to install a compactor and enclosed screenings washer in an effort to reduce the odor at the Plant. Discussion ensued. 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 the District's pro-rata share of such expenditure in an effort to address the air quality and health concerns for the operators of the wastewater treatment plant.

18. **Discuss and take action with appointment of AJOB representative.** 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 appoint Director Stine as the District's AJOB representative and authorize him to attend the meetings on the Board's behalf.

19. **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.

20. **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.

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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on
October 15, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)