

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 18, 2010

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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trail Drive, Humble, Texas, 77346, on February 18, 2010 at 5:00 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. 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; Ms. Deanna Berry, Mr. Gary Levicky, Ms. Kathryn Dahlin, and Ms. Colleen Rose, 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 January 21, 2010, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of January 21, 2010, as presented.

2. **Receive comments from the public.** In response to a question from Mr. Levicky, Director House stated that Joe Stunja with Pinehurst Trail Holdings has not addressed the Board regarding the golf course property.

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

3. **Discuss and take action in connection with golf course property and termination of Amended and Restated Agreement for Maintenance of Drainage Ditch, including action in connection with repairs to drainage ditch.** Mr. Mensik reported that as

soon weather permits, Embark Tree and Landscape Services will begin work on the drainage ditch.

4. **Adopt Order Calling Directors Election.** The Board reviewed the Order Calling Directors Election, Notice of Deadline to File Applications for Place on Ballot, and the agreement with ES&S for election voting equipment, copies of which are attached hereto as Exhibit "B." 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 adopt the Order Calling Directors Election, to approve and have the Notice of Deadline to File Applications for Place on Ballot posted in the District, and to authorize execution of the agreement with ES&S.

Ms. Christensen noted that election information has been posted on the District's website.

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 February 18, 2010 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 February 18, 2010, to approve the Investment Report, and to authorize payment of check numbers 6835 through 6867 from the Operating Account, all as listed in the Bookkeeper's Report.

Director Stine requested that Ms. Conley attempt to invest some of the District's debt service funds at higher interest rates.

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 for the month of January 2010 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 93.4% of the District's 2009 taxes had been collected as of January 31, 2010. 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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1490 through 1497 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 January, 2010, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 93.3% of the water pumped was billed for the month ending January 22, 2010.

Mr. Mensik reported that ADT has not responded to him regarding setting up a meeting to further discuss the re-location of the security beam system at the Rebawood water plant. Mr. Mensik reported that ADT installed its recording system in the bleach system building at the West Lake Houston water plant. Mr. Mensik stated that he specifically requested that ADT not install the recording system in such building because of the corrosive chemicals located within the building. Mr. Mensik stated that ADT prefers to keep the recording device in the bleach building and if the recording device is re-located, then the District will have to pay a substantial

amount to re-wire the system. Mr. Mensik reviewed with the Board a proposal from ADT to install a protective cabinet for the recording device in the bleach system building at a cost of \$9,079.36, a copy of which is attached hereto as Exhibit "F." Extensive discussion ensued. The Board directed F&J to prepare and send a letter to ADT informing them of all the outstanding issues in connection with the security equipment and requesting an on-site meeting with a management representative of ADT. Mr. Mensik stated that he will provide F&J with a list of all the outstanding security issues.

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

8. **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 "F," 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 11/19/09	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	\$16,329.18	\$25,405.11
Water Plant Fence Replacement Project - Construction costs	\$215,000	\$ -	\$243,744.27	\$243,744.27
Sanitary Sewer Rehabilitation, Phase IV - Construction costs (as funds available)	\$197,482	\$ -	\$ -	\$ -
TOTALS	\$519,925	\$43,191.19	\$322,407.32	\$365,598.51

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

Brown & Gay and Myrtle Cruz have been communicating on the status of available surplus funds for construction and engineering payments. Because the Atascocita Point Drive sewer repair and the fence construction costs exceed the original estimate, the construction payments for Sanitary Sewer Rehabilitation, Phase IV will continue to be drawn from the budget item in the General Operating Fund. In the same way as previously done for the sewer repair, Brown & Gay will coordinate with ST and Myrtle Cruz to track the future disinfection modification invoices for reimbursement to the General Operating Fund.

Construction Plan Review:

- a. Atascocita Lutheran Church: Nothing new. Reverend Gary Anholt and the general contractor informed Brown & Gay that, although it was not originally proposed in the plans, a waterline was relocated to accommodate a new hand sink. ST was previously scheduled to visit the site to inspect the plumbing.
- b. Atascocita Shores, Section 2, Lot 9, Block 5: Nothing new. Brown & Gay provided utility plans and capacity commitment request procedures to Benchmark Engineering in September 2009 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 3-4 single-family homes on the property, which are primarily located within the City of Houston.
- c. Chateaux at Pinehurst Apartments: Nothing new. 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 received records of a video inspection.
- 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.

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

Pay Estimate No. 7 and Final from T&C Construction, Ltd. in the amount of \$12,187.21 has been reviewed and approved for payment. This pay estimate includes payment for release of retainage. Ms. Zapletal reviewed with the Board the Certificate of Completion, a copy of which is attached to the Engineer's Report.

Water Plants No. 1 and 2 Disinfection System Improvements:

Construction is underway by ST. 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 ST throughout the project to satisfy these conditions. Upon notification of completion by ST, Brown & Gay will schedule the required TCEQ inspection.

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)

Pay Estimate No. 4 from Insituform Technologies in the amount of \$245,829.24 was reviewed and approved for payment. This invoice included payment for pre- and post-construction televising; 3,942 LF 8-inch cured-in-place pipe (CIPP); 690 LF of 10-inch CIPP; 3,573 LF 12-inch CIPP; 482 LF 15-inch CIPP; and 758 LF of 18-inch CIPP. Funds totaling ten percent of the work approved to date remain in retainage (\$99,288.43).

Insituform determined that there were significant quality issues with a segment of 24-inch CIPP along Atasca Oaks Drive during the review of post-construction television inspection. It was discovered that an area of the Insituform liner failed to properly cure. Insituform has since manually removed the portions of uncured CIPP and is preparing to install a new liner that will be continuous from Manhole A-3 to A-2 to A-2A. A large portion of the liner cured properly and exists within the host pipe. Insituform will reinstall a new slightly smaller diameter CIPP liner through the entire pipe segment. The contractor believes this will offer a better final product than installing a blind shot (an isolated CIPP segment). Brown & Gay has requested a letter documenting this situation and extending the warranty to offer an additional three years of warranty. Upon receipt, the letter and extended warranty will be presented to the Board. Costs associated with this repair will not be billed to the District.

Costs exceeding 50% of the contract amount will be processed for payment in the second year of the two-year construction contract.

ST raised a manhole to grade in the shopping center east of Wal-Mart (not in Wal-Mart parking lot as noted last month). The work will be backcharged to the water account for the shopping center management company.

New EPA rules related to groundwater:

A checklist of the TCEQ's required information for the Triggered Source Monitoring Plan is being assembled by Brown & Gay with assistance of ST (subsequent to finalizing the EPP). Much of the information is also in the EPP, which will help reduce efforts and costs for this work.

Atascocita Joint Operations Board ("AJOB"):

Brown & Gay continues to maintain a compilation of the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. Flows for January are currently being compiled.

To Brown & Gay’s knowledge, there have been no recent odor complaints from residents in the area. The cover has been installed at the Influent Lift Station. The Operator will install a mister system when all current construction on the new compactor system are complete.

A proposal was presented for design, bidding and construction phase services for the lift station conveyor. Engineering fees were proposed on a reimbursable basis in the amount of \$19,900.

Doug Baker with Brown & Gay toured the Plant with ST representatives on Monday, January 25, 2010. Mr. Baker will be assisting in technical aspects of the Plant operations.

Operational Issues:

1. Belt Press Sludge Feed Pumps – These pumps do not restart when the emergency generators fire up during a power outage or the scheduled Monday morning exercise period.
2. Sludge Digester – Certain areas of the waste sludge digester do not mix/roll very well. BGE will look into supplemental aeration for additional mixing in these areas.

AJOB had a special meeting last night to approve plans and specifications and authorize advertisements for bids for an enclosed screenings compactor at the lift station.

Per the capacity request from WYA The Bridges at Lake Houston, the total per year is as follows and includes a 3.5% annual escalation on the cost per gallon:

<u>Date</u>	<u>ESFC</u>	<u>GPD</u>	<u>Cost Per Gallon</u>	<u>Price</u>
8/31/2010	81	25,920	\$7.00	\$ 181,440
8/31/2012	89	28,480	7.497	213,515
8/31/2014	80	25,600	8.035	205,696
8/31/2016	185	59,200	8.608	509,594
8/31/2017	185	59,200	8.909	527,413
8/31/2018	<u>205</u>	<u>65,600</u>	9.221	604,898
	825	264,000		

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 approve the Engineer’s Report, to approve Pay Estimate No. 7 and Final in the amount of \$12,187.21 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 and to approve Pay Estimate No. 4 in the amount of \$245,829.24 to Insituform Technologies in connection with Phase IV of the Sanitary Sewer Rehabilitation.

9. **Review and authorize capacity commitment letters.** Ms. Zapletal noted that no new capacity commitment requests have been received.

Ms. Zapletal noted that the limiting factor for water supply is the hydro-pneumatic tank (“HPT”) capacity, which is rated at 17.4 gallons per connection per the TCEQ’s approved variance from the elevated storage requirement. Brown & Gay previously estimated late 2009 as the time to discuss water supply improvements (HPT, ground storage, booster pumps). Ms. Zapletal reported that Brown & Gay, its electrical engineer, and ST visited both water plant sites on February 10, 2010 for an updated review of the facilities to confirm assumptions of conceptual design prior to finalizing the cost estimate. The updated conceptual cost estimate has been compiled with assistance from the electrical engineer, a copy of which is attached to the Engineer’s Report. The estimate outlines costs for various options of ground storage tanks and cost comparisons that may be selected for construction. The water model used for the elevated storage variance request would be reviewed with the added components to document the update to the variance request.

Brown & Gay requests the Board’s consideration to add a second tank to the West Lake Houston water plant to add additional storage and redundancy to the system. The added capacity will also help provide relief for the wells during periods of peak demand. Ms. Zapletal noted that Series 2005 bond funds totaling \$1,117,600 remain escrowed for construction (along with approximately \$151,300 in interest earnings) and \$192,992 are available for engineering.

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 engineer to prepare plans and specifications for the water plant improvements.

10. Discuss and take necessary action in connection with request from QLS for capacity to serve proposed fitness center on former golf course property. Ms. Zapletal noted that 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 3 ESFC). Ms. Zapletal noted that 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.

In response to a question, Mr. Mensik stated that he will inspect the golf course water connection.

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

Ms. Zapletal reviewed the following information from the written Engineer’s Report, a copy of which is attached hereto as Exhibit “F.”

Diversion Swale and Berm for Kings River Estates, Section Four

Ms. Zapletal noted that C.E. Barker, Ltd submitted the lowest total bid of \$249,678.57 on April 2, 2009 for the diversion swale and berm for Kings River Estates, Section Four.

Harris County Flood Control District (“HCFCD”) approved the original plans for this project on July 28, 2009. Harris County approved the new version of the construction plans after the September 2009 meeting.

Brown & Gay is pursuing the easements from residents. Easement requests were issued again recently via certified mail. Revisions to one easement have been returned to the owner, who has since signed the easements and is sending to F&J. Brown & Gay is aware of other signed easements and will coordinate with F&J to track receipts of signed easements.

The preconstruction meeting was held on Tuesday, January 19, 2010. The contractor will be ordering the reinforced concrete box culverts, and Notice to Proceed will be issued subsequent to completion of the pipe.

Utility locations have been requested of private utility companies.

- The depth of the existing gas line conflicts with the proposed depths of the new pipes. Brown & Gay has requested a cost for relocation from CenterPoint Energy. Brown & Gay requests the Board’s authorization of a not-to-exceed relocation cost to be able to proceed with work prior to the next meeting. A signed check made payable to CenterPoint Energy can be held by the bookkeeper until receipt of the invoice. Brown & Gay also requests a check for \$300 to CenterPoint Energy for the Processing Fee to submit with the relocation request.
- The depth of the existing waterline and sanitary sewer force main conflict with the depths with the proposed depths of the new pipes as anticipated. The contract includes costs for deepening the conflicting portion of these facilities.
- Telephone lines and fiber optic cables have not been located by the utility owners.

If the Board will consider authorization of a total utility relocation not-to-exceed cost, Brown & Gay can coordinate with telephone and cable companies if necessary between meetings as well.

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 Brown & Gay to coordinate with CenterPoint Energy, the telephone and cable companies to re-locate the utilities at cost not exceed \$10,000.

Brown & Gay met with Mr. Cox and Ms. Wrenn on February 17, 2010 to discuss the portion of drainage improvement within the existing 55-foot drainage easement on their property. Brown & Gay apologized that the residents were inadvertently not included in the notice of construction letters sent out earlier in the month. Brown & Gay is addressing some questions and is planning to meet again next week to respond to the questions. During construction staking, the existing fences were found to be encroaching on the proposed highbank of the outfall channel. Costs have been requested form the contractor to relocate the fences to the edge of the 55-foot drainage easement (approximately four feet from their current locations). The residents are upset that the

improvements will be widening the existing channel on their property, even though the District will be maintaining the new improvements once constructed.

The required Small Construction Site Notice (SCSN) and Storm Water Pollution Prevention Plan (SWPPP) documents have been submitted to Harris County, the MS4 Operator, as required, prior to construction.

Drainage Improvements (Internal Improvements) for Kings River Estates, Section Four
Ms. Zapletal noted that C.E. Barker, Ltd submitted the lowest total bid of \$337,586.70 on April 7, 2009 for the drainage improvements (Internal Improvements) for Kings River Estates, Section Four. Notice to Proceed was issued for June 15, 2009.

C.E. Barker has completed work. Work by CenterPoint Energy for street lights repairs and Embarq's restoration of the telephone communication with the entrance gate were considered each entities repair and maintenance work so no charges will be invoiced to the contractor.

Brown & Gay has not yet received a release of lien for \$341.97 from HD Supply/White Cap Construction Supply. This amount will be deducted from final payment to the contractor if the lien release is not received in the next two weeks.

Pay Estimate No. 6 from C.E. Barker, Ltd. in the amount of \$16,342.23 has been reviewed and is recommended for approval and payment. This invoice includes payment for \$1,328.49 in remaining work items completed and release of the majority of retainage. Funds totaling \$1,000 remain on retainage and are sufficient to release the HC Supply lien if not done so before the final pay request is received from the contractor.

Upon receipt of the final pay estimate and the final engineering invoice next month, the remaining funds on deposit can be released to the POA. Brown & Gay will present a letter to the Board for approval to direct Myrtle Cruz, Inc. to release the funds.

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 and authorize payment of Pay Estimate No. 6 to C.E. Barker, Ltd. in the amount of \$16,342.23 in connection with the internal drainage improvements to serve Kings River Estates, Section Four.

12. **Adopt Emergency Preparedness Plan.** Brown & Gay has incorporated the comments received from Directors into the Emergency Preparedness Plan. Based on the Board's authorization in January 2010, the Emergency Preparedness Plan has been completed. Ms. Zapletal reported that Brown & Gay will submit the Plan to the TCEQ prior to March 1, 2010.

13. **Discuss and take action in connection with District's Supplemental Emergency Preparedness Plan.** There was no discussion on this item.

14. **Discuss and take any action in connection with District communications.** The Board reviewed the email update from Ms. Wynn regarding website issues and ideas for articles to be included in the next newsletter. Discussion ensued.

15. **Discuss and take action in connection with meeting location.** Discussion ensued. Director Holder stated that he will contact the Hasta La Pasta restaurant to determine if the Board can hold meetings in the front room. Ms. Christensen stated that she will contact the Rosemont Assisted Living Center to determine if the Board can meet there if Hasta La Pasta is not available. Director House stated that he will contact the library regarding the May 2010 meeting.

16. **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.

17. **Discuss and take necessary action in connection with security system (ADT).** There was no further discussion on this item.

18. **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.

19. **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
March 18, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)