

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 15, 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 July 15, 2010 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

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

All members of the Board were present. 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. Freida 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; Ms. Nikki Wynn of Payne Communications; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; Ms. Jana Cogburn and Ms. Carla Christensen, paralegal, 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 meetings of June 10 and June 24, 2010, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of June 10 and June 24, 2010, as presented.

2. **Receive comments from the public.** The President recognized Ms. Berry, who inquired on the pending lawsuit in connection with the fireworks ban. Ms. Cogburn responded.

There were no additional comments from the public.

3. **Status report on refunding bond issue.** Ms. Moran presented to and reviewed with the Board an analysis of the final numbers for the refunding the District’s Series 2000 Bonds, a copy of which is attached hereto as Exhibit “C.”

Director Holder entered the meeting at this time.

4. **Discuss and take action in connection with repairs to drainage ditch.** Mr. Jones reported that ST is working with Embark Tree and Landscape Services regarding completion of the repairs and maintenance to the drainage ditch. Mr. Jones reported that there are two additional trees that need to be removed. Mr. Jones reported that Stuckey's has submitted a proposal to remove such trees for \$2,000. Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the expenditure of \$2,000 for the tree removal.

5. **Discussion and take necessary action in connection with the security systems.** Mr. Jones reported that all security cameras are functioning and all related security system problems have been resolved by ADT.

Mr. Jones reported that ADT provided the video footage of the break-in at the West West Lake Houston water plant. Mr. Jones reported that ST filed a report with the Constable.

6. **Approve report from Arbitrage Compliance Specialists, Inc. in connection with review of Series 2000 Bonds and authorize execution of engagement letter for review of Series 2006 Bonds.** The Board reviewed the Arbitrage Rebate Calculation Report in connection with Arbitrage Compliance Specialist's review of the District's Series 2000 Unlimited Tax Bonds and the engagement letter for the review of the Series 2006 Bonds, copies of which are attached hereto as Exhibit "D." Ms. Cogburn reported that Arbitrage Compliance Specialists concluded that the District does not owe money in connection with the Series 2000 Bonds. 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 report prepared by Arbitrage Compliance Specialists in connection with the Series 2000 Bonds and to authorize execution of the engagement letter for the Series 2006 Bonds (expenditure up to \$2,950). Ms. Christensen stated that she will contact Arbitrage Compliance Specialists to determine whether the District meets the requirements for Arbitrage Compliance Specialists' discounted rate.

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 June 2010 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 98.07% of the District's 2009 taxes had been collected as of June 30, 2010.

Mr. Keefe reviewed with the Board a letter from Ms. Paula Garrett (acct. 0401-010-0090) requesting an installment payment plan, a copy of which is attached hereto as Exhibit "F." 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 authorize an installment payment plan for account number 0401-010-0090.

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 1547 through 1550 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for June, 2010, a copy of which is attached hereto as Exhibit "G." Mr. Jones reported that 97.36% of the water pumped was billed for the month ending June 21, 2010.

Director Haney requested that ST inspect the neighborhood pool driveway at Atascocita Shores and Sunny Shores for leaks.

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

9. **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:

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. No future expense will be paid from surplus funds.

| Project Name | Original Estimated Surplus Funds | FYE 2009 Surplus Funds Used | FYE 2010 Surplus Funds Used As of 06/10/10 | Total Actual Project Expenses (non-audited) |
|--|----------------------------------|-----------------------------|--|---|
| Atascocita Point Drive SS repair - Construction costs incurred by ST | \$ 70,000 | \$ - | \$ 96,449.14 | \$ 96,449.14 |
| Water Plant Disinfection modifications - Engineering and construction costs | \$ 37,443 | \$ 12,741.44 | \$ 82,710.44 | \$ 95,451.88 |
| Water Plant Fence Replacement Project - Construction costs | \$ 215,000 | \$ - | \$ 243,744.26 | \$ 243,744.26 |
| Sanitary Sewer Rehabilitation, Phase IV - Construction costs (as funds available) | \$ 197,482 | \$ - | \$ - | \$ - |
| TOTALS | \$ 519,925 | \$ 12,741.44 | \$ 422,903.84 | \$ 435,645.28 |

Construction Plan Review:

- a. Chick-fil-A addition (19220 West Lake Houston Parkway): Brown & Gay and ST coordinated and reviewed and approved the received plans from BBI Architects for the addition of storage and freezer space.
- b. La Quinta Inn & Suites (1.429 AC on Atascocita Road east of Town Center Boulevard): Brown & Gay and ST have reviewed the construction plans to provide comments to A&L Engineering. Revised plans have not yet been received.
- c. Atascocita Lutheran Church: Brown & Gay received the as-built construction plans for the project and forwarded a copy to ST for review.
- d. Rowland Interests-Atascocita Business Park/Sports Complex (19505 West Lake Houston Parkway. The preliminary construction plans submitted by H2B, Inc. have been reviewed and comments were provided to the engineer in 2009. Brown & Gay re-sent the comments to the owner on June 8, 2010 to confirm that comments have been addressed before the final plans are returned to Brown & Gay for approval. Mr. Rowland expects to proceed with construction very soon. Revised plans have not yet been received.
- e. Atascocita Center (6725 Atascocita Road): *Nothing new.* The owner inquired about installation of a 4-inch fire line connection to construct fire sprinklers for tenants, although this was not originally required by Harris County Fire Marshall. Brown & Gay provided information in April 2010 for connection to the public waterline along Atascocita Road.
- f. 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, which is primarily located within the City of Houston.
- g. Chateaux at Pinehurst Apartments: *Nothing new.* Brown & Gay and ST require video inspection of the existing sewer mains prior to connecting to the District's sanitary sewer.

Water Well No. 1 Rehabilitation (Water Plant No. 1 – Rebawood):

The TCEQ approved the emergency repairs, a copy of the approval letter is attached to the Engineer's Report.

The pump is set and the motor shaft is being machined. The well needs to be flushed and then three consecutive bacteriological tests need to be taken. The well should be online by next Wednesday.

Pay Estimate No. One from Alsay, Inc. in the amount of \$31,600 is being presented for approval, a copy of which is attached to the Engineer's Report. The invoice includes payment for mobilization, removing the pump, pre-construction televising, brushing the

well, agitating the sodium hypochlorite and removing debris, and post-construction televising.

Emergency Preparedness Plan (“EPP”):

The requested copy of the EPP was received from the TCEQ on June 8, 2010. Brown & Gay distributed copies of the EPP to the Harris County Judge, Harris County Office of Emergency Management, the Public Utility Commission of Texas, and the Texas Division of Emergency Management. Delivery confirmations have been received. ***This EPP is a confidential document and will not be subject to disclosure to the public under Texas Government Code, Chapter 552: Public Information.***

Sanitary Sewer Rehabilitation, Phase IV:

Pay Estimate No. 7 from Insituform Technologies in the amount of \$54,366.98 has been reviewed and is recommended for approval and payment, a copy of which is attached to the Engineer’s Report. This pay estimate includes payment for pre- and post-construction video inspection; 1,424 LF of eight-inch CIPP, 200 LF of 10-inch CIPP, 425 LF of 12-inch CIPP, 405 LF of 18-inch CIPP, 460 LF of 24-inch CIPP and related appurtenances. Five percent of the work approved to date remains on retainage (\$97,015.34).

Change Order No. One was requested by the contractor to outline quantity adjustments for actual quantities in excess of the original contract amount and to add 751 LF of 30-inch CIPP. The Change Order estimate totals \$189,083.60, but may vary if additional supplemental items are needed to complete construction (e.g. additional point repairs). In May 2010, Brown & Gay recommended approving approximately \$160,000 of CIPP. This Change Order will increase the total estimated final contract amount to \$2,112,925.

Atascocita Joint Operations Board (“AJOB”):

Brown & Gay continues to maintain a compilation of the ESFC for each participant, total ESFC, average daily wastewater flows, and rainfall information. The compilation through May 2010 indicates an average daily flow of 4.36 MGD or 268 gpd/ESFC. Rainfall for the month totaled 3.5 inches.

At the January 2010 Board meeting, Brown & Gay reported that the north ends of the waste sludge digesters were not mixing/rolling very well. Brown & Gay researched supplemental aeration options for additional mixing in such areas. At the May 2010 Board Meeting, the Board authorized the award of a contract to Deggs Service Enterprise to add supplemental aeration at the digesters, including header piping, air drops and diffusers. This will help reduce areas in the Plant that are potential odor generators.

At the March 2010 meeting, the Board awarded the contract for the lift station compactor to R&B Group, Inc. for a total bid amount of \$153,000. The contractor’s schedule includes a start-up of the new equipment in the third week of July 2010 and project completion by the end of July 2010. R&B submitted shop drawings for the proposed equipment, and Brown & Gay has reviewed and approved the submittal with comments.

Brown & Gay continues to work closely with the manufacturer and contractor to expedite completion of the project.

Water Plant No. 1 (Rebawood) Expansion:

The TCEQ reviewer noted that he completed the review of the water production information submitted as part of the update to the elevated storage variance approval and gave concurrence with the proposed hydro-pneumatic tank service capacity of 14.3 gallons per connection. The information is currently under peer review by the TCEQ.

The plans for the project have been signed by the City of Houston and Harris County. The plans were submitted to the TCEQ Technical Review Team on June 16, 2010.

The objectives for the project's estimated schedule are as follows:

- Estimated Notice to Proceed before September 1, 2010
- Construction sequencing can be such that the water plant may only be down for three to four weeks during lower demands in the winter months.
- Yard piping and pump construction should be complete by March 1, 2011
- Ground storage tank construction and hydro-pneumatic tank construction should be complete by May 1, 2011

Nine bid proposals were received on July 14, 2010. A copy of the bid tabulation is attached to the Engineer's Report. Schier Construction Company, Inc. submitted the lowest bid in the amount of \$1,586,600. Brown & Gay recommends that the Board award the contract to Schier Construction Company, Inc. (for the base bid and alternative bid work), contingency upon receipt of TCEQ approval and verification of the performance and payment bonds. Brown & Gay requests Board authorization to coordinate with the contractor for review and approval of technical submittals and shop drawings to expedite material ordering and delivery process.

Tolunay-Wong Engineers, Inc. ("TWEI") provided a proposal to provide construction material testing services in the estimated amounts as follows depending on the Board's contract scope authorization for the project: Water Plant No. 1 (Rebawood) Base Bid Items: \$4,816.00 and Water Plant No. 2 (WLHP) Alternate Bid Items: \$2,928.00. A copy of the proposal is attached to the Engineer's Report. Fees will be invoiced based on actual expenses incurred during construction.

TWEI provided a proposal to provide geotechnical investigation services for the Ground Storage Tank at Water Plant No. 2 ("WLHP") in the estimated amount of \$2,500 if the Board elects to award this alternate bid item. A copy of the proposal is attached to the Engineer's Report. Fees will be invoiced based on actual expenses incurred during construction.

Dunham Engineering provided a Letter of Agreement to provide an American Welding Society Certified Welding Inspector to periodically inspect the ground storage tank construction. A copy of the proposal is attached to the Engineer's Report. Fees are estimated not to exceed \$5,000 for 10 trips, which includes all labor, travel expenses,

insurance, tools, and equipment. The proposal was presented for one ground storage tank and includes one visit for attendance at the preconstruction meeting. Should the Board elect to construct the ground storage tank at WLHP, a second set of services would be incurred for that tank in the same estimated amount. The schedule of inspections provided by Dunham Engineering is attached to the Engineer's Report.

Preventive Services, L.P. provided a proposal to provide coating inspection services for the ground storage tank at water plant no. one (Rebawood) in the amount of \$8,871.98, a copy of the proposal is attached to the Engineer's Report.

Preventive Services, L.P. provided a proposal to provide coating inspection services for the ground storage tank at water plant no. two (West Lake Houston Parkway) in the amount of \$6,189.75, a copy of the proposal is attached to the Engineer's Report.

Brown & Gay requests the Board's approval to submit the Application for Release of Surplus Funds (\$1,117,600) to the TCEQ.

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 Engineer's Report, to approve the invoice from Alsay, Inc. in the amount of \$31,600 in connection with the Water Well No. One (Rebawood) rehabilitation, and to approve and authorize payment of Pay Estimate No. 7 from Insituform Technologies in the amount of \$54,366.98 and Change Order No. One (\$189,083.60) in connection with phase IV of the sanitary sewer rehabilitation.

10. **Award contract for water plant no. one (Rebawood) expansion.** 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 award the contract for the water plant no. one expansion to the low bidder, Schier Construction Company, Inc., in the amount of \$1,189,400, to approve the proposals from TWEI for materials testing (\$4,816 and \$2,928) and geotechnical investigation services (\$2,500), to approve the Letter of Agreement with Dunham Engineering in connection with a welding inspector inspecting the ground storage tank construction (not to exceed \$5,000), to approve the proposal from Preventive Services, L.P. for coating inspection services at the ground storage tank at water plant no. one (Rebawood) (\$8,871.98), and to adopt the Resolution Authorizing Application to the TCEQ For Release of Escrowed Funds in the amount of \$1,117,600.

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

12. **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 "H."

Diversion Swale and Berm for Kings River Estates, Section Four

C.E. Barker, Ltd submitted the lowest total bid of \$249,678.57 on April 2, 2009.

Several signed easements have been returned to F&J.

With the Board's authorization in May 2010, alignment of the swale and berm has been reduced based on requests received from residents to minimize tree removal. Change Order No. Two outlines a net reduction in the amount of \$5,783.98. Additions are included for costs to relocate the existing residential fences north of Kings River Drive to the edge of the existing 55-foot drainage easement and for solid sod for disturbed areas along Kings River Drive. Deletions are shown for site preparation, storm sewer, and storm water pollution prevention items not necessary for construction of the new alignment of the berm and swale. An increase of 160 calendar days is also proposed to account for time necessary to coordinate dry utility relocations with CenterPoint Energy and CenturyLink.

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 Change Order No. Two (net reduction in the amount of \$5,783.98).

Utility locations have been requested of private utility companies. In February 2010, the Board authorized total payments for utility relocation not-to-exceed \$10,000. Payments to CenterPoint as part of this authorization totaled \$6,831.

- CenturyLink (formerly known as Embarq) provided verbal feedback that expenses incurred for the relocation of the duct bank in the public right-of-way will not be billed to the District or the contractor. Brown & Gay has not yet received the requested written confirmation. CenturyLink completed the duct bank relocation work at the end of June 2010.

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

13. Approve and authorize execution of Interlocal Agreement with Subsidence District (Water Wise Program). The Board reviewed a proposed Interlocal Contract, a copy of which is attached hereto as Exhibit "I." 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.

14. Discuss and take any action in connection with District communications. Ms. Wynn reported that the second quarterly newsletter has been sent to District customers.

15. 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 15, 2010 and the Investment Report, copies of which are attached hereto as Exhibit "J." Upon motion by Director Stine, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report for the period ending July 15, 2010, to approve the Investment Report, and

to authorize payment of check numbers 6974 through 6999 from the Operating Account, all as listed in the Bookkeeper's Report.

Director Stine requested that Ms. Conley obtain additional detail from the electrical provider regarding the "sales tax" being assessed to the District.

16. **Consider and take necessary action in connection with appointment of new Director.** It was noted that the Board received four resumes from persons interested in serving as a Director. The President recognized Mr. Lentz and Mr. Whitaker, who both made brief statements to the Board regarding their interest in serving on the Board. It was the consensus of the Board to further review the resumes received and further discuss and take action at the next Board meeting.

17. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** The Board did not convene in Executive Session to discuss litigation.

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 to discuss security related matters.

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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on August 19, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)