

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 21, 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 Rosemont Assisted Living Center, 6450 Kings Park Way, Humble, Texas, 77346, on October 21, 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\
Lloyd Lentz, Director

All members of the Board were present. Director Lentz 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. 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. Nikki Wynn of Payne Communications; 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 meeting of September 16, 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 meeting of September 16, 2010, as presented.

2. **Receive comments from the public.** The President recognized Mr. Baumann and Ms. Reap, who presented to and reviewed with the Board a written request from the Atascocita Community Improvement Association (“*ACIA*”) and proposals for improvements, repairs, and installation of 1) a walking track, 2) benches and 3) playground equipment at the Atascocita Pines Park, copies of which are attached hereto as Exhibit “C.”

Director Lentz entered the meeting at this time.

The President recognized Mr. van Leuzen (new owner of property at 7507 Kings River Drive), who presented to and reviewed with the Board his letter and research regarding the

drainage easement and proposed drainage improvements, copies of which are attached hereto as Exhibit "D." Discussion ensued.

The President recognized Ms. Lasater (resident at 19718 Fairway Island Drive), who presented to and reviewed with the Board photographs of the drainage ditch behind Fairway Island Drive, copies of which are attached hereto as Exhibit "E." Ms. Lasater requested that the District clean the ditch and provide ongoing maintenance for the drainage channel. It was noted by the District's operator that he has obtained a proposal for the cleaning and maintenance of the drainage ditch.

3. **Discuss and take necessary action in connection with request for park equipment repairs and purchase of new park equipment.** Mr. Baumann and Ms. Reap requested the District's financial participation for the proposed park improvements and/or equipment, which are expected to cost approximately \$60,000. In response to a question, Ms. Reap stated that ACIA anticipates funding approximately \$35,000 to \$40,000 of the improvements and new equipment. Ms. Cogburn stated that the District's Recreational Facility Agreement with ACIA requires competitive proposals for projects costing in excess of \$25,000. Discussion ensued. It was the consensus of the Board that Director Lentz coordinate with Mr. Baumann and Ms. Reap regarding the proposed new facilities. Ms. Reap stated that ACIA will provide the Board with additional proposals upon receipt.

4. **Public Hearing on Tax Rate.** The President opened the hearing on the proposed 2010 tax rate. There were no comments on the tax rate from the public. The President closed the hearing.

5. **Adopt Order Setting Tax Rate and Levying Tax For 2010.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2010, a copy of which is attached hereto as Exhibit "F." 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 adopt the Order Setting Tax Rate and Levying Tax for 2010, thereby levying a tax at a rate of \$0.335 per \$100 assessed valuation (\$.24 for debt service and \$0.095 for operations and maintenance).

6. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending October 21, 2010 and the Investment Report, copies of which are attached hereto as Exhibit "G" 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 accept the Bookkeeper's Report for the period ending October 21, 2010, to approve the Investment Report, and to authorize payment of check number 5110 from the Capital Projects Account and check numbers 7108 through 7130 from the Operating Account, all as listed in the Bookkeeper's Report.

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 September 2010 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "H." Mr. Keefe noted that 99.18% of the District's 2009 taxes had been collected as of September 30, 2010. Upon motion by Director Stine, seconded by Director Lentz, 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 1568 and 1569 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Mr. Keefe reported that the tax bills will be sent out by the end of next week.

8. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for September, 2010, a copy of which is attached hereto as Exhibit "I." Mr. Mensik reported that 96.52% of the water pumped was billed for the month ending September 23, 2010.

Mr. Mensik reported that there were two water main breaks on Sunny Shores earlier in the week. Mr. Mensik stated that the lines have been repaired.

Mr. Mensik reviewed with the Board a letter from a District customer (20006 18th Fairway) requesting consideration of an adjustment to his September 2010 water bill (\$96.30) due to a water leak and waiver of late charges (\$9.63), a copy of which is attached to the Operations Report. It was the consensus of the Board that ST credit the customer for the September 2010 sewer charges associated with the leak.

Mr. Mensik reviewed with the Board a proposal from Stuckey's for the cleaning and mowing of the drainage channel (a portion of which is located behind Fairway Island Drive and Ms. Lasater's residence), a copy of which is attached to the Operations Report. Mr. Mensik stated that Stuckey's has agreed 1) to mow and remove overgrowth in the western portion of the channel for a cost of \$910.00, 2) to mow and remove overgrowth in the eastern portion of the channel for a cost of \$4,989.60, and 3) to remove approximately 50 trees (dead, downed or impeding water flow) for a cost of \$13,300. Mr. Mensik stated that after the drainage channel is cleaned, he will request maintenance recommendations and proposals for the Board's consideration.

Upon motion by Director House, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination of service to the delinquent accounts, and to accept the proposal from Stuckey's for the cleaning of the drainage channel.

9. **Adopt Order Amending Rate Order (West Harris County Regional Water Authority fees).** Discussion ensued regarding whether the District should pass through the West Harris County Regional Water Authority ("WHCRWA") fees to District customers. Mr. Mensik noted that the current WHCRWA fee is \$1.25 per 1,000 gallons pumped and such fee will increase in January 2011 to \$1.55. In response to a request from Director Stine, Mr. Mensik stated that he will prepare a summary of water usage statistics for the District's customers. This item was deferred pending receipt of the operator's summary.

10. **Approve Amendment to Contract with Operator (ST Environmental Services regarding outside vendor mark up %).** Mr. Mensik reviewed with the Board the amendment to the Operations Agreement with ST Services for decreasing the outside vendor mark-up percentage from 20% to 10%, a copy of which is attached hereto as Exhibit "J." Upon motion by Director House, seconded by Director Lentz, after full discussion and the question

being put to the Board, the Board voted unanimously to approve and authorize execution of the amendment to the Operations Agreement with ST Services.

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:

Construction Plan Review:

La Quinta Inn & Suites (1.429 AC on Atascocita Road east of Town Center Boulevard): Plans have been conditionally approved with comments. Brown & Gay and ST requested an additional sheet that shows an enlarged utility layout for ease of inspection. The requested cleanouts still need to be added to the layout.

Atascocita Volunteer Fire Department's request for fire hydrant locations:

Brown & Gay sent the District's fire hydrant data to the Atascocita Volunteer Fire Department as authorized at the September 2010 Board meeting.

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

Pay Estimate No. Three and Final from Alsay, Inc. in the amount of \$750.00 has been reviewed and is recommended for approval and payment. A copy of the Pay Estimate is attached to the Engineer's Report. The estimate includes payment for the well production test.

Water Plant Expansion:

On September 24, 2010, the TCEQ approved the release of the escrow requirement for \$1,117,600 (\$1,016,000 construction plus \$101,600 contingencies) from the Series 2006 bond issue. Brown & Gay sent the approval letter, a copy of which is attached to the Engineer's Report, to the District's consultants.

Notice to Proceed was issued to Schier Construction Company, Inc. on August 23, 2010. To date, 28 submittals have been received. Five submittals are currently being reviewed. Last month, Brown & Gay provided ST with a list of personnel that the contractor, its subcontractors, and the inspection companies may have onsite during construction.

A pay estimate has not been received from Schier Construction.

Sanitary Sewer Rehabilitation, Phase IV:

A pay estimate was not received from Insituform Technologies this month. The contractor has completed the CIPP and pipe busting and is currently working on several miscellaneous items before completion of construction.

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. The current compilation through September 2010 indicates an average daily flow of 4.65 mgd or 282 gpd/ESFC. Rainfall for the month was 6.5 inches. The summary has been provided to Ms. Wynn for her use in the District's newsletters.

To Brown & Gay's knowledge, there have been no recent odor complaints from residents in the area.

The start-up of the lift station conveyor ("muffin monster") equipment was conducted on September 28, 2010. Punch list items noted at that time have been addressed. Some minor leaks that have occurred since startup are being repaired. Brown & Gay is also working with the equipment manufacturer to add sheet metal on the upper trough to more effectively direct the solids into the conveyor. Pay Estimate No. One from R&B Group, Inc. in the amount of \$137,700 was approved for payment. Retainage totaling \$15,300 was withheld until all remaining items are addressed.

TXU Energy provides energy-efficiency rebates to their customers that retrofit to accepted and proven energy-efficient technologies. Brown & Gay identified the Variable Frequency Drives installed on the lift station pumps as the most obvious energy-efficient project eligible for TXU's energy efficiency rebate. Brown & Gay submitted the rebate form and backup documentation to TXU on October 4, 2010. TXU informed Brown & Gay that a check for \$12,500 will be sent to Roland Fry & Co. by the end of October 2010.

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 Engineer's Report and to approve and authorize payment of Pay Estimate No. Three from Alsay, Inc. in the amount of \$750.00 in connection with the Water Well No. One (Rebawood) rehabilitation.

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

13. **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 submitted the lowest total bid of \$249,678.57 on April 2, 2009. With two change orders to date, the updated contract amount is \$274,533.97.

CenterPoint Energy has not yet moved its 4-inch electrical cable. CenterPoint Energy has verbally informed Brown & Gay that the relocation will not be a cost to the District. Brown & gay has requested written confirmation of this and the proposed relocation date. The 1-inch unidentified cable is still under research by the contractor.

Pay Estimate No. 2 in the amount of \$26,919.59 has been reviewed and is recommended for approval and payment. A copy of the Pay Estimate is attached to the Engineer's Report. This estimate includes payment for boring and jacking 55 LF of 36-inch RCP, removal of a 24-inch pipe, and relocation of the wooden fence along the east side of the outfall channel drainage easement. Ten percent retainage (\$11,719.56) has been withheld

from payments to date. The delay was not due to the contractor's delay in the timing of its request. Brown & Gay was waiting for verification of payment received by a supplier before approving the pay request.

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 and authorize payment of Pay Estimate No. Two from C.E. Barker, Ltd. in the amount of \$26,919.59 in connection with the Diversion Swale and Berm for Kings River Estates, Section Four.

Drainage Improvements for Kings River Estates, Section Four:

Director House informed Brown & Gay that the resident at 20710 Kings Crown Court has concerns regarding a potential water leak under the new driveway placed as part of this project. Repairs due to any contractor damages will be covered as part of the C.E. Barker's one-year warranty for this project. Retainage for the Diversion Swale and Berm project will not be released until these items is also addressed by the contractor.

14. **Discuss and take any action in connection with District communications.** Ms. Wynn reported on the proposed articles for the next quarterly newsletter. Discussion ensued. It was the consensus of the Board to include an article regarding the WHCRWA fees.

15. **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
November 18, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)