

MINUTES OF MEETING OF BOARD OF DIRECTORS
MAY 21, 2015

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132

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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 Overlook, 20114 Pinehurst Drive, Atascocita, Texas, 77346, on May 21, 2015 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

Tim Stine, President
Don House, Vice President
Jerrel Holder, Secretary
Lloyd Lentz, Assistant Secretary
Michael Whitaker, Assistant Secretary

All members of the Board were present, except for Director Lentz. Also attending all or parts of the meeting were Ms. Lina Loaiza of Bob Leared Interests, tax assessor and collector for the District; Ms. Karrie Kay of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Larry Jones of Severn Trent Environmental Services, Inc. ("*ST*"), operator of the District's facilities; Mr. Matt Froehlich and Mr. Jorge Bustamante of Brown & Gay Engineers, Inc. ("*BGE*"), engineers for the District; Ms. Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditor for the District; Mr. Michael Swartz and Ms. Emerald Lagow of Norton Rose Fulbright US LLP ("*NRF*"), attorneys for the District.

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 "A," and the following business was transacted:

1. **Minutes.** Proposed minutes of the regular meeting of April 16, 2015, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of April 16, 2015.

2. **Receive comments from the public.** There were no comments from the public.

3. **Engage auditor for fiscal years ending May 31, 2015 and May 31, 2016.** The President recognized Ms. McCain, who presented to and reviewed with the Board a two-year engagement letter to prepare the District's audit for fiscal years ending May 31, 2015 and May 31, 2016, a copy of which is attached hereto as Exhibit "B."

She estimated the annual fees will range between \$14,000 and \$16,000, noting that the District was billed \$14,500 for last year's audit.

In response to a question from Director Holder, Ms. McCain stated that the District can choose not to engage the auditor for the second year.

Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to engage McCall Gibson

Swedlund Barfoot, PLLC to prepare the District's audit for fiscal year ending May 31, 2015 and May 31, 2016, and to authorize the President to execute the letter.

4. Engage Arbitrage Compliance Specialists for the review of \$5,405,000 Unlimited Tax and Revenue Bonds, Series 2006. Mr. Swartz stated that the District is required to make a rebate calculation on outstanding bond issuances every five years in order to comply with federal arbitrage regulations, and presented to and reviewed with the Board an engagement letter from Arbitrage Compliance Specialists ("ACS") to perform a rebate computation on the District's Unlimited Tax and Revenue Bonds, Series 2006.

Mr. Swartz noted that a final rebate calculation may be needed once the bonds have been redeemed.

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 the President to execute the engagement letter from ACS for review of the District's Unlimited Tax and Revenue Bonds, Series 2006, a copy of which is attached hereto as Exhibit "C."

5. Review Bookkeeper's Report, authorize payment of bills and approve Investment Report. Ms. Kay presented to and reviewed with the Board the Bookkeeper's Report dated May 21, 2015, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "D."

The President directed the bookkeeper to clear and close the District's remaining account with TexPool.

Ms. Kay noted that her report includes six at-or-after checks, including check 8936 to West Harris County Regional Water Authority for the District's February payment.

She noted that the Board previously requested that she move the check for engineering fees from the general fund to the capital projects fund, and that this change is reflected in her report.

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, to approve the Investment Report, and to authorize payment of check numbers 8942 through 8969 from the Operating Account, all as listed in the Bookkeeper's Report.

6. Adopt Resolution approving use of Letter of Credit as collateral, and approve Letters of Credit Agreement with Compass Bank. The Board reviewed the proposed Resolution Approving Use of Letter of Credit as Collateral for District Funds (the "LOC Resolution"), and the Letters of Credit Agreement with Compass Bank, copies of which are attached hereto as Exhibits "E" and "F", respectively.

Mr. Swartz stated that Texas Law requires public funds to be invested in accounts with eligible securities. He noted that the Federal Deposit Insurance Corporation ("FDIC") insures amounts up to \$250,000, and stated that Compass Bank is requesting authorization to provide a letter of credit from Federal Home Loan Bank of Atlanta as collateral for deposits over the FDIC insured limit. He noted that the bookkeeper would hold the letter of credit on the District's behalf, and draw upon it in the event that Compass Bank is unable to honor a draw request by the

District on its accounts. Mr. Swartz recommended that the Board adopt the Resolution, and approve the agreement approving the form of the letter of credit.

Upon motion by Director Whitaker, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the LOC Resolution, and to approve and authorize execution of the Letters of Credit Agreement with Compass Bank.

7. **Review budget for fiscal year ending May 31, 2016.** President Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2016, a copy of which is attached hereto as Exhibit "G". Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the proposed budget for fiscal year ending May 31, 2016 as presented.

8. **Authorize defeasance and redemption of bonds.** The President noted that the District moved \$1,125,000 from its reserves and will redeem additional certificates of deposit to pay for the proposed redemption. He noted that such redemption will fully defease the District's 2006 bonds.

Mr. Swartz presented to and reviewed with the Board a Resolution Approving the Redemption of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006 (the "Resolution Approving Redemption"), 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 Resolution Approving Redemption as presented.

Mr. Swartz noted that the redemption is scheduled for July 15, 2015, in order to allow time for the paying agent to provide notice of redemption to bondholders. In response to a question from Director Holder, Mr. Swartz confirmed that the financial advisor will forward the results of the redemption once available.

9. **Review Tax Collector's Report and authorize payment of certain bills.** Ms. Loaiza presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "I." She noted that 97.97% of the District's 2014 taxes had been collected as of April 30, 2015.

Ms. Loaiza reviewed a preliminary report of taxable value in the District for 2015 from the Harris County Appraisal District, a copy of which is attached to her report. She reported that the preliminary net taxable value in the District for 2015 is \$595,455,590, noting that this value is calculated prior to appeals, and includes the District's personal property values from 2014.

Ms. Loaiza presented to and reviewed with the Board a summary of six randomly selected accounts of residents who qualify for the District's over 65 and/or disabled tax exemption, a copy of which is attached hereto as Exhibit "J." Director Holder noted that he requested Ms. Loaiza pull this information in order to examine the cost to increase the exemption. Upon review of the summary, he estimated that the District pays an average of \$413 per homeowner to provide the current exemption of \$40,000, and that it would cost the District approximately \$50,000 to double this exemption.

Discussion ensued regarding the District's homestead tax exemption. Mr. Swartz stated that the District currently provides the maximum homestead exemption of 20%, and that he does not believe there to be a limit restricting the exemption amount offered to individuals 65 and older, but that he will confirm this information.

Ms. Loaiza noted that the District has adopted its over 65/disabled tax exemption for the current tax year, and will consider exemptions for 2016 next January.

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1071 through 1080 from the Tax Account to the persons, in the amounts, and for the purposes stated in the Tax Assessor and Collector's Report.

10. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of April 2015, a copy of which is attached hereto as Exhibit "K." Mr. Jones reported that 100.83% of the water pumped was billed for the period ending April 30, 2015.

Mr. Jones reviewed the delinquent list with the Board. He reported that the owner of the Chevron at 8740 FM 1960 East and Atascocita Shores paid \$600 towards his outstanding balance earlier today. Mr. Jones informed the customer that ST will restore service to the property on the condition that they adhere their payment plan to pay their outstanding balance over a period of five months, and that if they missed another payment then ST would immediately terminate service and demand payment in full. Mr. Jones stated that ST plans to remove a nearby interconnect through which the customer was obtaining service from the neighboring carwash.

Director Stine noted that the Rebawood Water Treatment Plant needs to be mowed and mulched. Mr. Jones stated he will speak with the contractor. Mr. Jones noted that the ditch, pontoons, and storm sewer have yet to be mowed due to inclement weather.

Mr. Jones presented to and reviewed with the Board a summary of payment methods used by residents during the month of April, a copy of which is attached to the Operations Report. He reported that out of 1,739 payments received from customers from April 3rd to May 1st, no payments were mailed to the operator, 35 customers paid the operator in person, 48 customers used mobile payments, 53 customers had payment auto-drafted from their credit card, 83 customers submitted electronic checks online, 124 customers submitted credit payments online, 270 customers had payment auto-drafted from their bank account, 388 customers used wire transfers, and 738 payments were mailed to the lockbox.

Mr. Jones reported that ST finished inspecting 50 hydrants in the District, seven of which are in need of repairs for an estimated cost of \$6,090, and six of the hydrants need flange work for an estimated cost of \$650. He reported that ST will purchase the paint for the hydrants at no cost to the District. In response to a question from the Board, Mr. Jones stated he would confirm the number of hydrants that have yet to be inspected. It was the consensus of the Board to authorize the operator to continue inspecting fire hydrants in the District, and to authorize repairs to, and repainting of, hydrants in the District as needed. Mr. Jones noted that he will request authorization to replace hydrants if the cost of repair is over \$2,000.

Mr. Jones noted that he received the District's well inspection report earlier today, and noted that he forwarded the report to the District's engineer just before the meeting.

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, to terminate the delinquent accounts in accordance with the District's rate order, and to authorize the operator to proceed with fire hydrant inspection and perform repairs to the hydrants as needed.

11. **Approve Consumer Confidence Report.** Mr. Jones noted that the Board reviewed the 2014 Water Quality Report at the last meeting, and confirmed that the address for regular Board meetings has been updated. The President requested an electronic copy to post on the District's website. 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 distribution of the District's Water Quality Report to residents.

12. **Engineer's Report.** Mr. Froehlich presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "L" and which follows in substantially the form it was presented:

Commercial Plan Reviews

Mr. Bustamante reported that BGE provided comments on the plans for Atascocita Modern Dentistry at 7315 FM 1960. Revised plans were submitted and BGE issued a no-objection letter, contingent on the Board's approval of a capacity commitment for the facility (Item 13).

Mr. Froehlich noted the facility was originally constructed for a Bank, and that the owner plans to keep the drive-through. He stated that the expansion will nearly double the size of the existing facility.

Lift Station No. 1 Conversion & Water Plant No. 2 Building Addition:

Mr. Bustamante reported that BGE is presenting contracts for the Lift Station No. 1 Conversion project and the Water Plant No. 2 Building Addition for review and execution by the Board. He noted that BGE will schedule pre-construction meetings for the projects, and issue Notice to Proceed within the next few weeks.

Mr. Bustamante reported that BGE will begin updating Lift Station No. 1's connection counts for each of the participating districts, and noted that the last update was in July of 2014.

Storm Sewer Repair at Shores Course No. 6 Fairway:

Mr. Froehlich reported that the rainy weather has continued to prevent South Texas from mobilizing to perform the repair.

Annual Tank Inspections:

Mr. Froehlich stated that there was no update this month. He stated that the new hydro-tank will be inspected next year, and noted that the tank is under warranty.

Tank	Next Inspection	Comments
WP1 bolted GST	2015 August	2014: Tank remained full; many internal coating defects; continue to monitor and evaluate rehab vs. replacement
WP1 welded GST	2016 October	2015: Tank remained full; good condition
WP1 HPT1	2016 February	2015: Exterior only. Noted interior coating defects in 2014; recommending internal
WP1 HPT2	2015 September	2014: Good condition; exterior inspection
WP1 HPT3	2016 February	2015: Exterior only. Noted interior coating defects in 2014; recommending internal recoat in next 1-2 years
WP2 bolted GST	2015 August	2014: Tank remained full; good condition
WP2 welded GST	2016 November	2015: Tank remained full; good condition
WP2 HPT	2015 June	2014: New tank installed

Power Factor Monitoring

Mr. Bustamante reported that the Operator is currently collecting data on the power factors at both water plants. He stated that BGE will compare the data to the data collected in Fall 2014 and present findings to the Board next month.

Capital Improvement Plan ("CIP"):

Mr. Froehlich stated that there are no changes to the CIP this month.

Atascocita Joint Operations Board:

Mr. Froehlich noted that a copy of AJOB's Engineer's Report for May is attached to his Report.

Mr. Froehlich noted BGE received the well test results from the operator, and will present their findings at the next meeting.

Mr. Froehlich noted that he received a call from Mr. Fred Baker, a resident of the District, who is experiencing backup issues with his sanitary sewer line. He noted that he put Mr. Baker in touch with the operator who would then televisive the line. Mr. Jones noted that he spoke with Mr. Baker prior the start of the meeting.

13. **Review and authorize capacity commitment letters.** Mr. Froehlich stated that the architect handling the expansion of Atascocita Modern Dentistry contacted him on behalf of the owner to request a revised capacity commitment for the expansion. Mr. Froehlich presented to and reviewed with the Board a draft capacity commitment letter, a copy of which is attached to the Engineer's Report. Upon motion by Director Whitaker, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the capacity commitment letter for the expansion of Atascocita Modern Dentistry, as presented.

14. **Discuss and take any action in connection with District communications.** Discussion ensued regarding the District's newsletter.

15. **Authorize Execution of Recreational Facility Agreement.** There was no action on this item.

16. **Adopt Order Adopting Rules Establishing Standards of Recreational Facilities.** There was no action on this item.

17. **Other matters.** The President noted that the next meeting will be held at 6:00 p.m. on June 25, 2015.

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 June 25, 2015.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

