

MINUTES OF MEETING OF BOARD OF DIRECTORS
JANUARY 21, 2016

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 Overlook, 20114 Pinehurst Drive, Atascocita, Texas 77346, on January 21, 2016 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

Directors Stine, House, Holder and Whitaker were present, and Director Lentz entered the meeting in progress. 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 and Mr. David Olivares of Severn Trent Environmental Services, Inc. (“ST”), operator of the District’s facilities; Mr. Matthew Froehlich of Brown & Gay Engineers, Inc. (“BGE”), engineers for the District; Ms. Mary DuBois of Acclaim Energy Advisors; and Ms. Kathleen Ellison 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 meeting of November 19, 2015, previously distributed to the Board, were presented for approval. 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 the minutes of the meeting of November 19, 2015 as presented.

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

3. **Presentation by Acclaim.** Ms. DuBois presented to and reviewed with the Board pricing options from five suppliers for renewal of the District’s electricity contract expiring on September 22, 2016, copies of which are attached hereto as Exhibit “B.”

Director Lentz entered the meeting at this time.

Discussion ensued regarding participation in demand response programs.

4. **Approve Appointment of Agent for 2016 Directors Election.** Ms. Ellison reviewed with the Board the proposed Appointment of Agent for the upcoming Directors Election on May 7, 2016. She noted that the election agent performs duties such as posting notices, holding the drawing for placing candidates’ names on the election ballot, and administers election documents.

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 appoint Emerald Lagow as Election Agent for the District, and to approve and authorize execution of the Appointment of Agent, a copy of which is attached hereto as Exhibit "C."

5. **Adopt Order Calling Election.** Ms. Ellison reviewed with the Board a draft Order Calling Election, a copy of which is attached hereto as Exhibit "D." She noted that the Order designates the local library as the District's election location, and Ollie Dole as the election official. Director House confirmed that the library has agreed to coordinate with the District to meet the hourly requirements for the early voting period and on election day, if needed. The President requested that Margie Youngless and Chris Levicky be added as election officials.

Ms. Ellison reviewed the election schedule. Upon motion by Director Lentz, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Calling Directors Election, as revised.

6. **Adopt Resolution Authorizing Publication of Notice of Intent Not to Use An Electronic Voting System.** Ms. Ellison presented to and reviewed with the Board a Resolution Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System and the proposed Notice for Publication, copies of which are attached hereto as Exhibit "E." Ms. Ellison stated that the District can publish notice and use paper ballots for voting in the election to avoid the cost of renting and training officials to use the electronic voting system.

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 Authorizing Publication of Notice of Intent Not to Use an Electronic Voting System.

7. **Consider options for renewal of electricity contract.** The President proposed appointing Don House as the District's representative to coordinate renewal of its electricity contract. Upon motion by Director Holder, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director House to determine the best electricity provider and the timing for entering into a contract and to execute any required documentation.

8. **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 for the months of November and December, 2015 and the delinquent tax report, copies of which are attached hereto as Exhibit "F."

She noted that the District can expect to see overpayments in the next few months due to mortgage companies sending in tax payments for incorrect districts or in incorrect amounts.

Ms. Loaiza noted that 40.72% of the District's 2015 taxes had been collected as of December 31, 2016.

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 approve the Tax Assessor and Collector's Report and to authorize payment of check numbers 1118 through 1128 from the Tax Account to the persons, in the amounts, and for the purposes stated in the Tax Assessor and Collector's Report.

9. **Approve and authorize filing of Annual Eminent Domain Report with the Texas Comptroller of Public Accounts.** Ms. Ellison stated that new legislation requires that the District file an annual report with the Texas Comptroller of Public Accounts concerning its eminent domain authority. 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 filing the Annual Eminent Domain Report in substantially the form attached hereto as Exhibit "G" with the Texas Comptroller of Public Accounts.

10. **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 January 21, 2016, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as Exhibit "H."

Discussion ensued regarding how to show construction reimbursement revenue from the shared lift station.

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, to ratify payment of check numbers 9170 through 9208 from the month of the December, and to authorize payment of check numbers 9209 through 9236 from the Operating Account, to the persons, in the amounts, and for the purposes stated in the Bookkeeper's Report.

11. **Ratify renewal of District Insurance.** Ms. Ellison asked that the Board take action to ratify renewal of the District's insurance policy expiring January 24, 2016, and to authorize execution of the proposal, a copy of which is attached hereto as Exhibit "I." The President noted that the premium increased by \$80. 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 approve and authorize execution of the renewal insurance proposal submitted by SIG/McDonald & Wessendorff Insurance, and to approve the District's indemnification of directors for losses arising from the Directors carrying out their lawful duty, to the extent that such losses are not otherwise covered by insurance.

12. **Approve transfer to Debt Service Fund.** The President said he had reviewed the analysis from the financial advisor and recommended transfer of \$115,000 from the District's general fund to its debt service account. 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 transfer of \$115,000 from the District's general fund to its debt service account.

13. **Approve Amendment to Agreement for Bookkeeping Services.** The President reviewed with the Board the revised Amended Agreement for Bookkeeping Services between the District and Myrtle Cruz, Inc. effective February 1, 2016 (the "Amended Agreement"), attached hereto as Exhibit "J." He noted that the Amended Agreement provides for a monthly rate of \$1,935, based on the average of bills for the previous year, a three year term that will automatically renew for successive one-year terms unless written notice to terminate is provided by either party 90 days prior to the renewal date.

Ms. Ellison noted that Myrtle Cruz, Inc. has filed and submitted a certificate of interested parties in accordance with the requirements of House Bill 1295.

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 and authorize execution of the Amended Agreement as presented.

14. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the months of November and December, 2015, copies of which are attached hereto as Exhibit "K." Mr. Jones reported that 96.09% of the water pumped was billed for the period ending December 29, 2015.

Mr. Jones reviewed a summary of major maintenance performed at the District's Lift Station and Water Plant facilities and on its sewer lines and water lines. Discussion ensued regarding work being done by R+B Construction at the District's Lift Station No. 1.

In response to a question from the Board, Mr. Jones stated that the operator has addressed two sewer backups which had reached the interior of residences in the District and several manhole excursions since the construction project started.

Discussion ensued regarding a sewer backup in a resident's home that occurred due to a malfunction of the float system at the lift station installed by the contractor. Mr. Jones confirmed that the excursion was reported to the Texas Commission on Environmental Quality. He noted that steps had been taken to clean the residence.

The Board directed ST to back charge the contractor for all costs of the clean-up. The Board further directed ST to check on the lift station daily and charge the contractor for the cost. The Board further indicated their dissatisfaction with the contractor's performance and response time. Mr. Jones said that ST will set up a miltronics system at the lift station and will receive notice of an alarm to prevent a future excursion while the lift station construction is underway.

Mr. Jones reported that a phase failure caused failure of the motor for Booster Pump #1, and presented estimates to repair (\$4,900) and replace (\$5,907) the motor.

Mr. Jones reported that a resident at 8326 Bunker Bend is requesting replacement of his driveway panel on the basis that the cracks are due to repairs by the operator. He reviewed photos of the driveway with the Board, noting that ST removed and replaced the adjacent panel of the driveway two years ago for an emergency repair. The Board determined that the cracks were not due to ST's actions two years ago and declined to authorize the replacement.

Mr. Jones reported that Stuckey's completed repairs at the Atascocita Shores channel.

Discussion ensued regarding customer complaints. Mr. Jones reported that the operator investigated a complaint and found a leak on the resident's portion of the line. He noted that ST excavated the line and notified the customer of its findings via e-mail and by a door-tag notice. Discussion ensued regarding a complaint from a resident who said he did not get a bill. Ms. Loaiza stated that the resident was requesting his tax bill, which he had already paid.

Mr. Jones reviewed a list of delinquent accounts, and noted that there were 104 accounts unpaid as of this month's report.

Upon motion by Director Holder, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to terminate service to delinquent accounts in accordance with the District's rate order, and to replace the motor for Booster Pump #1.

15. **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."

Development Plan Reviews

Mr. Froehlich reported that BGE issued a comment letter on the plans for the Lodge at Westlake (6931 Atascocita Road), a copy of which is attached to the Engineer's Report.

Mr. Froehlich reported that BGE issued a no-objection letter in response to the plans for Buffalo Wild Wings (Atascocita Town Center), a copy of which is attached to the Engineer's Report.

Water Plant No. 2 Building Addition

Mr. Froehlich reported that the contractor is 85% complete with Water Plant No. 2 Building Addition, and reviewed with the Board Pay Estimate No. 4 (\$29,430) and Pay Estimate No. 5 (\$66,600) from Schier Construction for approval, copies of which are attached to the Engineer's Report.

Annual Tank Evaluations

Mr. Froehlich reported that BGE is working with the operator to contract with an on-call well specialist to expedite future well replacements. Mr. Jones reported that ST will request quotes from Alsay, Inc. and Lane Pump and Equipment Co. Director Lentz recommended that the operator request a quote from Weisinger Water Well Inc.

Mr. Froehlich reviewed with the Board a proposal from F&L Coatings and Concrete, LLC, to address minor coating defects noted at the last inspection of the ground storage tanks at the District's water plants for \$4,500, a copy of which is attached to the Engineer's Report.

He noted that BGE will coordinate with the operator to perform two tank evaluations in February.

G103-29-00 (ditch through Woods Apartments and golf course)

Mr. Froehlich reported that BGE completed the survey of the ditch running from the golf course to Woods apartments in the District and plans to work with Champions and Stuckey's to formulate a plan addressing the Board's concerns. He noted that the project cost may exceed the threshold for public advertisement.

In response to a question from the Board, Mr. Froehlich reported that he will follow up with representatives of Harris County Precinct 2 regarding installation of a guardrail at Kings River Drive Roadside Ditch.

Atascocita Joint Operations Board ("AJOB"):

Mr. Froehlich reported that Drylet, LLC presented an Experimental Use and Testing Agreement providing for a second round of testing at the shared wastewater treatment plant at the last AJOB meeting, which is currently under review by the attorney.

Mr. Froehlich presented to and reviewed with the Board a revised Consent to Encroachment Agreement from CenterPoint Energy ("CPE") for approval, a copy of which is attached hereto as Exhibit "M."

Mr. Froehlich presented to and reviewed with the Board a request from Dreamland Builders for capacity to serve a proposed 62-room hotel at 8600 FM 1960 East, Houston, Texas 77346, a copy of which is attached to the Engineer's Report. He stated that the District has

sufficient capacity available to grant the request. The Board asked Mr. Froehlich to get more information on the request, including a site plan.

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, to approve and authorize execution of the Consent to Encroachment Agreement with CPE as presented; to approve payment of Pay Estimate No. 5 in the amount of \$66,600 to Schier Construction, in connection with construction of Water Plant No. 2 Building Addition; and to accept the proposal from F&L Coatings and Concrete, LLC for recoating work at the District's water plants, for an amount not to exceed \$4,500.

16. Review and approve Consent to Encroachment from CenterPoint Energy for sanitary sewer line. This item was addressed under the Engineer's Report.

17. Review and authorize capacity commitments. This item was addressed under the Engineer's Report.

18. Authorize Execution of Recreational Facility Agreement. Director Lentz noted that he and Director House are coordinating a meeting with the ACIA and the prospective contractor for construction of the shared recreational facility to review the scope of the project.

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

20. Discuss and take any action in connection with District communications. The President noted that the District received an email from a Girl Scout group thanking the District for the information provided and requesting that the District add a link to its website. He said he reviewed the link and thought there were commercial implications, so he did not recommend adding the link. Director Holder asked Director Stine to try to ascertain the location of the girl scout troop in his planned response to the girl scouts.

21. Review records retention policy. The President noted that he spoke with Myrtle Cruz, Inc. regarding its records retention policy and obtained a copy of the District's policy from NRF, a copy of which is attached hereto as Exhibit "O."

Ms. Ellison noted that the Board adopted certain record retention schedules published by Texas State Library and Archives Commission, and confirmed that the District's records can be kept electronically. The President noted that the Order appoints the Board's secretary as the records retention officer, and specifies that the District must notify the state each time the District's records retention officer changes. Ms. Ellison said the change in officer would be addressed at the next meeting.

22. Other matters. There were no other matters.

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 February 18, 2016.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

