

MINUTES OF MEETING OF BOARD OF DIRECTORS
SEPTEMBER 21, 2017

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 September 21, 2017 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
Michael Whitaker, Assistant Secretary
Gregg Mielke, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were Ms. Julia McCain of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; Mr. Chase Wolf of FirstSouthwest, a division of Hilltop Securities; 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 – North America (“*ST*”), operator of the District’s facilities; Mr. Matt Froehlich of BGE, Inc. (“*BGE*”), engineer for the District; and Ms. Kathleen Ellison and Ms. Brenda Presser 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 August 17, 2017, previously distributed to the Board, were presented for approval. Upon motion by Director Mielke, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of August 17, 2017, as presented.
2. **Receive comments from the public.** There were no comments from the public.
3. **Approve audit for fiscal year end May 31, 2017.** The President recognized Ms. McCain, who presented to and reviewed with the Board a draft audit, material weakness letter and a management response, copies of which are attached hereto as *Exhibit B*. Discussion ensued regarding the annual material weakness letter, and Ms. McCain noted it was presented to almost all municipal utility districts. Upon motion by Director House, seconded by Director Mielke, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for fiscal year ended May 31, 2017, including the revisions noted by the Board, and to authorize filing of same with the Municipal Securities Rulemaking Board, Texas Commission on Environmental Quality and Comptroller’s Office.
4. **Adopt Order Designating Officer to Calculate and Publish Tax Rates.** The President recognized Mr. Wolf, who presented to and reviewed with the Board the financial advisor’s recommendation for setting the District’s 2017 Tax Rate, a copy of which is attached hereto as *Exhibit C*.

Director Stine distributed and reviewed a General Fund 15-year cash flow projection in connection with a proposed maintenance and operations tax rate of \$0.0852, a copy of which is attached hereto as *Exhibit D*.

Ms. Ellison presented to and reviewed with the Board an Order Designating Officer to Calculate and Publish Tax Rates for 2017 (*the "Order"*), a copy of which is attached hereto as *Exhibit E*. She noted that the District will need to confirm the quorum will be met for the next meeting so that the tax assessor can publish notice of the proposed tax rate. All Directors confirmed they are able to attend the meeting on October 19, 2017.

Ms. McCain asked the Board about whether Hurricane Harvey would have a material impact on the District's financials. The Board advised Ms. McCain that it would not. Director Stine noted that the District plans to pay its outstanding debt in full on June 1, 2018.

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 Order, thereby authorizing the tax assessor to publish notice of the proposed rate of \$0.0943 per \$100 assessed valuation (\$0.0091 for debt service and \$0.0852 for maintenance and operation).

5. Review Tax Collector's Report and authorize payment of certain bills. The President recognized Ms. Loaiza, who presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as *Exhibit F*. She noted that 99.3% of the District's 2016 taxes had been collected as of August 31, 2017. Upon motion by Director House, seconded by Director Mielke, 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 1280 and 1281 from the Tax Account to the persons, in the amounts, and for the purposes stated in the report.

6. Review Bookkeeper's Report, authorize payment of bills and approve Investment Report. The President recognized Ms. Kay, who presented to and reviewed with the Board the Bookkeeper's Report as of September 21, 2017, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as *Exhibit G*.

Ms. Kay reported on receipt of a check from the Golf Preserve for one-half of its portion of the costs for repairs.

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 accept the Bookkeeper's Report, to approve the Investment Report, and to authorize payment of check numbers 9778 through 9810 from the Operating Account.

7. Operations Report. Mr. Jones presented to and reviewed with the Board the Operations Report for the month of August, a copy of which is attached hereto as *Exhibit H*.

Mr. Jones reported that 83.61% of the water pumped was billed for the period of July 27, 2017 through August 28, 2017.

Mr. Jones reported there are 89 accounts on the delinquent list of which 4 were terminated prior to the storm for non-payment. He requested authorization to send four uncollectible accounts

to collections. He said that no accounts were disconnected during the storm and requested the Board's direction on the unpaid delinquent accounts for the month.

Mr. Jones reported that Lift Station Nos. 2 and 3 were completely under water and they are still investigating the damages. He reported that the motor at Water Well No. 2 was irreparable and noted this is the second time this has happened in five years due to weather. Mr. Jones confirmed that claims have been filed with the insurance company and FEMA. He discussed the costs to repair or replace the motor. It was the consensus of the Board to replace the motor for a cost of \$38,587.00. A copy of the proposal from Burke Mechanical is attached at *Exhibit H-1*.

Mr. Jones reported that ST is coordinating with BGE on repairs to sanitary sewer manholes that were infiltrated during the storm.

Upon motion by Director Whitaker, seconded by Director Mielke, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to defer turn offs and delinquency fees for one month due to the hurricane, and to submit the uncollectible accounts to collections.

8. **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 I*.

Mr. Froehlich reported the survey and drainage analysis on the golf course drainage channel and culverts are complete. He said that BGE is producing exhibits and preliminary cost estimates and will contact the Board to schedule a special meeting to further discuss pricing, design for water feature and crossings..

Mr. Froehlich updated the Board on the drainage issues along a storm sewer outfall pipe between lots in Kings River Estates, Section 5. He reported that the Operator completed cleaning and televising the line and noted that several cubic yards of sand and silt were vacuumed out of the line in addition to what was jetted out. He discussed several cracks and defective joints that appear to correlate relatively closely to the location of sinkholes at ground level. He said that BGE will contact contractors to discuss options for addressing the issues.

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 Engineer's Report.

9. **Review and authorize capacity commitment letters.** No new requests were presented to the Board.

10. **Approve Amended and Restated Emergency Water Supply Contract between the District and Harris County Municipal Utility District No. 153.** Ms. Presser reported that Harris County Municipal Utility District No. 153 ("153") approved the Amended and Restated Emergency Water Supply Contract with the District. Discussion ensued. Upon motion by Director House, seconded by Director Mielke, the Board voted unanimously to approve the Amended and Restated Emergency Water Supply Contract between the District and No. 153, as presented, a copy of which is attached as *Exhibit J*.

11. **Consider participation in Library expansion.** Director Stine said he had no updates to report to the Board.

12. **Discuss and take any action in connection with District communications and web site.** The Board discussed adding a link to the West Harris County Regional Water Authority web site. No action was taken.

13. **Approve event notice regarding Hurricane Harvey.** Ms. Ellison reported that immediately after the hurricane, investors in water district bonds were very concerned about the financial impact on water districts, and some districts were filing notices concerning any impact the hurricane had on their facilities or tax base. She said that much of the concern has since subsided and given the extremely small amount of debt the District has outstanding, there is no recommendation to file a voluntary notice.

14. **Nomination of Harris County Appraisal District director; and Other Director and consultant reports.** Ms. Ellison reported that the District may nominate someone to the Harris County Appraisal District Board of Directors to represent the water districts within Harris County. She noted that Glenn Peters is the incumbent. The Board took no action on this matter.

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 October 19, 2017.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)