

MINUTES OF MEETING OF BOARD OF DIRECTORS
OCTOBER 19, 2017

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 October 19, 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, except Director Whitaker, thus constituting a quorum.. 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 – 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. **Receive comments from the public.** There were no comments from the public.
2. **Public Hearing on Tax Rate** The President opened the public hearing for comments on the proposed tax rate. Hearing none, the President closed the hearing.
3. **Order Setting Tax Rate and Levying Tax for 2017.** The President recognized Ms. Ellison, who reviewed a proposed Order Setting Tax Rate and Levying Tax for 2017 (the "*Order*"), a copy of which is attached hereto as *Exhibit B*. Upon motion by Director Holder, seconded by Director Mielke, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order, thereby levying a tax rate of \$0.0943 per \$100 assessed valuation (\$0.0091 for debt service and \$0.0852 for maintenance and operation).
4. **Approve and authorize filing of Amendment to District Information Form.** Ms. Ellison stated that because the District's tax rate has changed, an amended District Information Form to reflect the new rate levied today needs to be approved. The Board reviewed the Amended and Restated District Information Form reflecting the 2017 tax rate, a copy of which is attached hereto as *Exhibit C*. Upon motion by Director Holder, seconded by Director Mielke, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize filing of the Amended District Information Form in Harris County Real Property Records and with the Texas Commission on Environmental Quality ("*TCEQ*"), as presented.
5. **Report on Continuing Disclosure Filing.** The President recognized Ms. Ellison, who reported that the District is required to update the District's financial information as long as there are outstanding bonds.

Ms. Ellison said that following last month's meeting, the District's financial advisor told her Moody's put the District on credit review due to possible impact from Hurricane Harvey. Ms. Ellison

said the District could make a voluntary report with the Municipal Securities Rulemaking Board ("MSRB") concerning the impact of Hurricane Harvey on the District, but that if the District does so, it needs to do a thorough analysis of the damage, which might be expensive to obtain. She said another option the District could take is to transfer to its debt service fund the amount necessary to pay off the District's bonds since it plans to redeem all the bonds on June 1, 2018 anyway. Discussion ensued. 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 authorize the transfer of funds from the District's operating fund to its debt service fund in an amount sufficient to pay all debt service on the District's outstanding bonds and to authorize Ms. Ellison to include a voluntary notice in the Continuing Disclosure Report regarding the District's actions.

6. **Minutes.** Proposed minutes of the meeting of September 21, 2017, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of September 21, 2017, as presented.

7. **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 E*. She reported that 99.3% of the 2016 taxes have been collected as of September 30, 2017 and noted that collections of the District's 2017 taxes would appear next month.

Ms. Loaiza reviewed a Delinquent Tax Report, dated October 19, 2017 provided by the District's delinquent tax attorneys, a copy of which is attached as *Exhibit E-1*. She reported that the delinquent tax attorneys recommend that the account listed under IV. Other accounts with base tax greater than \$350, item 1. for Atascocita Restaurants LP (Account #2084625) be moved to the uncollectible roll, which will clear up the 2011 tax roll. Ms. Loaiza also noted that items 2 and 3 under Section IV have been paid in full.

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1282 through 1296 from the Tax Account to the persons, in the amounts, for the purposes stated in the report, and to authorize the transfer of account #2084625 to the uncollectible roll.

8. **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 October 19, 2017, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as *Exhibit F*.

Discussion ensued regarding the Board's guidelines for the amount of cash the District needs to maintain in its operating fund for immediate needs. The Board authorized the bookkeeper to invest funds in excess of \$300,000 in LOGIC.

Director Stine inquired about the status of builder damages outstanding, noting that Brooks Concrete item should be removed from the list since it was previously determined that Brooks Concrete is not liable for the damages. Mr. Jones stated that he will remove Brooks Concrete from the list. Mr. Jones reported that Traf-Tex has paid approximately \$11,000 to date for water and the \$27,000 for repair expenses remains outstanding.

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 9811 through 9839 from the Operating Account.

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

Mr. Jones reported that 103.80% of the water pumped was billed for the period of August 29, 2017 through September 28, 2017.

Mr. Jones reported there are 60 accounts on the delinquent list and he requested authorization to send two uncollectible accounts to collections.

Mr. Jones reviewed correspondence from a customer requesting a billing adjustment for a high water bill resulting from a damaged pipe during Hurricane Harvey that was not detected until the water receded around September 4. Mr. Jones reported the customer lost approximately 60,000 gallons of water before being able to return to their home. He reviewed the customer's payment history and recommended adjusting the bill to charge the customer for average usage. Discussion ensued and it was noted that the WHCRWA pumpage fee is a pass-through cost to customers that is outside the District's control. The consensus was to charge the customer an average usage for water and sewer and the entire cost of the WHCRWA pumpage fee.

Messrs. Jones and Froehlich reported on manhole repairs at 8318 Bunker Bend. A sinkhole had previously formed, been filled, and was starting to form again. Mr. Jones reported there are four lines tied into the manhole, an upstream trunkline, a downstream trunkline, and two service lines. He noted there are no issues with the service lines, but there appears to be a minor sag on the upstream mainline. Mr. Jones reported that all investigation efforts showed that infiltration was occurring at the bottom of the manhole and that he had contacted a contractor to provide a quote for replacing the manhole.

Discussion ensued regarding proposed action and repairs. Mr. Froehlich noted that the City of Houston requires a maximum of 400 feet between manholes for a sewer line of this size and that the combined distance between the upstream and downstream manholes from the manhole in question is approximately 270 feet. Mr. Froehlich recommended the upstream and downstream trunklines be connected in the bottom of the existing manhole, the service lines be connected directly to the trunkline, and the existing manhole be filled and abandoned in place.

Additionally, the resident reported to Director Stine and Mr. Froehlich during a site visit that he was experiencing issues with air in his service line which is close to the manhole and sinkhole. Mr. Jones stated he would investigate this issue.

Mr. Jones discussed inspecting storm sewer manholes that were under water that may have debris and require cleaning. He explained that the inspection will include opening manhole covers to make a visual inspection with a flashlight, taking appropriate action, if needed, and moving on to the next manhole.

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 Operations Report, to authorize termination of delinquent accounts in accordance with the terms of the Rate Order, to authorize sending two accounts to collections, and to adjust the customer's bill as discussed.

10. **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 H*.

Mr. Froehlich reviewed exhibits attached to the Engineer's Report of possible pond layouts based on weir height at the recently repaired cart path culverts. Mr. Froehlich discussed slipping a high density polyethylene pipe into the existing culverts and grouting the gap. Discussion ensued regarding the effect of reducing the circumference of the culverts and Mr. Froehlich stated that BGE will perform an analysis. No action was taken on this item.

Mr. Froehlich reported that nine bids were received for Water Plant No. 1 welded Ground Storage Tank and Hydro-pneumatic Tanks Nos. 1 and 3 rehabilitation. He reported that D&M Tank LLC provided the lowest, most qualified bid in the amount of \$214,600, which includes all supplemental items. Mr. Froehlich recommended that the construction contract be awarded to D&M Tank, LLC for \$214,600.

Mr. Froehlich presented and reviewed a cost estimate for \$4,685 from Alpha Testing for construction materials testing related to the interconnect with Harris County Municipal Utility District No. 153, a copy of which is attached as *Exhibit H-1*.

Mr. Froehlich reported that BGE has reviewed the video inspection from ST relating to the Kings River Estates Section 5 Storm Sewer Outfall in connection with infiltration. He discussed lining the sewer or performing internal sealing to the joints as possible courses of action. Mr. Froehlich said that BGE is contacting contractors to discuss repair options and obtain quotes.

Mr. Froehlich reported that Harris County Municipal Utility District No. 109/AJOB had incorrectly calculated the connections to the Wastewater Treatment Plant attributable to the District, which resulted in the District being overcharged. Specifically, irrigation accounts were included in connection counts. Director Stine reported that the AJOB Board voted to re-calculate connections retroactive to the beginning of this fiscal year (June 1, 2017). Mr. Froehlich said that he will follow up with the Operators to ensure the calculation formula for connections is being implemented.

Director Stine noted that the District will receive a refund in the amount of \$132,000 for its pro-rata share of the estimated costs for capital improvement projects related to the regional wastewater treatment plant for 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: 1) approve the Engineer's Report; 2) authorize the award of a construction contract to D&M Tank, LLC for \$214,600 for Water Plant No. 1 welded Ground Storage Tank and Hydro-pneumatic Tanks Nos. 1 and 3 rehabilitation; 3) approve a cost estimate for \$4,685 from Alpha Testing for construction materials testing related to the interconnect with Harris County Municipal Utility District No. 153, 4) authorize moving forward with repairs to the Storm Sewer Outfall at Kings River Estates Section 5 upon approval from the President; and 5) authorize Mr. Jones and Mr. Froehlich to proceed with replacement or abandonment of the manhole on Bunker Bend for a cost not to exceed \$25,000 upon approval of the President.

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

12. **Discuss and take any action in connection with District communications and web site.** Director Stine reported that the District's website has a link to the West Harris County Regional Water Authority web site. He noted that he will also post a notice regarding the increase in fees.

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 November 16, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

