

MINUTES OF MEETING OF BOARD OF DIRECTORS
APRIL 20, 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 April 20, 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 House, thus constituting a quorum. Also attending all or parts of the meeting were Mr. Dan McDonald of McDonald & Wessendorff; Ms. Gena Daley of Travelers Insurance; 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 March 16, 2017, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of March 16, 2017, as presented.

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

3. **Review and consider Cyber Security supplement to insurance policy.** The President recognized Mr. McDonald, who distributed handouts that included a proposal and description of coverage for a cyber security supplement to the District's current insurance policy, copies of which are attached at *Exhibit B*. Mr. McDonald introduced Ms. Daley, who briefly described the kinds of incidents the policy would cover. The Board discussed whether their contractors' insurance would be sufficient to pay all required costs in the event a consultant's system was compromised and there was a loss of customer data. 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 the Cyber Security supplement to the District's current insurance policy.

4. **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 C*. She noted that 97.9% of the District's 2016 taxes had been collected as of March 31, 2017.

Ms. Loaiza reviewed the Delinquent Tax Report from the District's delinquent tax collection firm, noting that page one is a listing of lawsuits that have been filed on delinquent accounts.

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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1240 through 1246 from the Tax Account to the persons, in the amounts, and for the purposes stated in the report.

5. 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 April 20, 2017, the Investment Report, and the Deposit Collateral Report, copies of which are attached hereto as *Exhibit D*.

Ms. Kay reviewed the Operating Budget Comparison and discussion ensued regarding the amount stated for water revenues this month. Mr. Jones said the number was incorrect and he would check on the correct amount.

Ms. Kay responded to the Board's inquiry last month about the Compass Bank Operating Account Certificate of Deposit ("CD"), stating the CD was renewed at Compass because the interest rate increased to 0.50% and did not fit the District's formula for moving funds to LOGIC.

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 accept the Bookkeeper's Report, to approve the Investment Report, and to authorize payment of check numbers 9628 through 9658 from the Operating Account.

6. Approve budget for fiscal year end May 31, 2018. President Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2018, a copy of which is attached hereto as *Exhibit E*.

Director Stine reviewed a monthly budget for revenues and expenditures for fiscal year 2018 and compared it to figures from fiscal year 2017. He said the 2018 budget projects \$387,632 more in expenditures than in 2017, mostly for capital expenditures. He discussed the proposed capital expenditures.

Director Stine discussed the transfer of funds to debt service with the anticipation of being debt-free by the summer of 2018.

The Board decided to act on this item in May.

7. Report on judgment lien pay-off and distribution of proceeds. Ms. Ellison reported on a call she received from Ms. Margaret Poissant, who obtained a judgment for the District in 2006 for some builder damages. Ms. Ellison stated the judgment was filed in Montgomery County and now the debtor apparently needs to clear the lien to sell his property. Ms. Ellison stated the District's contract with Ms. Poissant provides for a contingency interest in any recovery. She recommended that the Board authorize Ms. Poissant to proceed to collect the money and authorize Director Stine to execute any required documentation to release the District's lien upon evidence of payment. Upon motion by Director Mielke, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Poissant to proceed to collect on the judgment and Director Stine to execute any required documentation to release the District's lien upon evidence of payment, as discussed.

8. **Operations Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for the month of March, a copy of which is attached hereto as *Exhibit F*. Mr. Jones reported that 91.75% of the water pumped was billed for the period of February 24, 2017 through March 27, 2017.

Mr. Jones reported on Builder Damages. He said ST is unable to collect on Brooks Concrete because it was determined not to be liable for the damages. He stated that the report will be updated next month to reflect the total of the damages owed by Traf Tex, which is approximately \$45,000.

Mr. Jones reported that repairs have been made to the sinkhole affecting Lifetime, the golf course and The Overlook. He stated that the three entities are participating in the payment of costs for repairs.

Mr. Jones reported there is one uncollectible account and requested the Board's authorization to send it to collections.

Discussion ensued regarding chronic repairs/replacement of a District sign at the entrance of Atascocita Shores and alternative options for sign placement and height.

Upon motion by Director Mielke, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the March Operations Reports, to terminate the delinquent accounts in accordance to the District's Rate Order, and to authorize the submittal of one uncollectible account to collections.

9. **Discuss Hurricane Preparedness.** Mr. Jones reported on hurricane preparations made by ST. He discussed a proposition presented to AJOB to establish a field office for ST at the Wastewater Treatment plant site. He reported on the benefits of having a building on site, such as providing an emergency event station and available meeting space. He reported that NRF is reviewing the legality of housing ST on the site. Director Holder inquired about the status and condition of signs that are posted in the District during emergency events. Mr. Jones confirmed the signs are in good shape, generators have been properly maintained and serviced, and fuel and power are available. It was noted that the five lifts stations and Wastewater Treatment Plant all have generators. Director Stine requested that Board members advise him if they plan to leave town during an emergency event.

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 G*.

Mr. Froehlich reported on the plans received from the City of Houston (the "City") for replacement of the culverts under Atascocita Shores Drive. He stated that the water lines are designed to go under the culverts pursuant to the City's regulations and future repairs and maintenance will be the District's responsibility. Mr. Froehlich discussed responding to the City to request a variance from the City's regulations in order to construct the water lines to go over the culverts, noting a reduction in construction costs. It was the consensus of the Board that Mr. Froehlich should respond to the City as discussed.

Mr. Froehlich reported that the upstream side of the cart path culvert along Hole No. 13 is severely blocked by debris and the culvert pipe appears to be deteriorated. He noted the culvert pipe is within a 140-foot drainage easement that was dedicated to the District. Discussion ensued

regarding repairs and removal of corrugated steel pipes. The Board requested BGE to investigate the cost for repairs that would include at least one or two box culverts and report to the Board.

Mr. Froehlich updated the Board on the status of the valve installation on the 16-inch water line along FM 1960 and reviewed an updated exhibit reflecting locations for installation of the valves. He noted that red dots denoted the insta-valve, yellow dots represent traditional valves and blue dots represent existing valves. Mr. Froehlich stated that the insta-valve will be installed by Mickie Service Company and traditional valves will be installed by ST. He said that he will notify the Board upon scheduling the installations.

Mr. Froehlich reported that letters to the property owners have been drafted regarding easements needed to connect the water line on FM 1960 to the proposed second discharge line.

Mr. Froehlich reported that Drylet has completed testing at the Wastewater Treatment Plant and will be preparing an analysis and technical summary of the testing that will include a comparison of costs versus savings.

Mr. Froehlich reported that AJOB discussed its proposed budget for next fiscal year and plans to include approximately \$300,000 in capital improvements, most notably adding mixers to the lift station wet well to address ragging issues and installing variable frequency drives ("VFDs") to existing blowers.

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 Engineer's Report.

Director Stine opened discussion on the settlement between the District and BGE regarding the Lift Station No. 1 Conversion Project design. Mr. Froehlich reviewed a proposed Settlement Agreement, Release, and Covenant Not to Sue (the "Agreement"), which he stated is required by BGE's insurance company to issue the settlement payment. Mr. Froehlich asked for feedback from the Board. The Board discussed the need to limit the definition of "Lift Station No. 1 Conversion Project" to specify BGE's original design of the project. The President suggested that the District's organizational status be included in the description of the parties to the Agreement and that BGE have 10 days to make payment after the agreement is signed. 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 Agreement and authorize Director Stine to execute the Agreement, as revised to (1) reduce the time for payment to 10 days; (2) limit the definition of the Lift Station No. 1 Conversion Project; and (3) specify the District's organizational status in the description of the parties to the Agreement.

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

12. **Report from Champions Hydro-Lawn.** There was no report.

13. **Consider participation in Library expansion.** Director Stine reported that he was invited to attend a meeting regarding the Atascocita Branch expansion with Mr. Edward Melton, Director of the Harris County Public Library, at 1:00 p.m. on Friday, April 28, 2017. Director Stine stated that Becky Berry, President of "Friends of Atascocita Library," and Kent Spitzmiller, President of Harris County Municipal Utility District No. 151, will also attend.

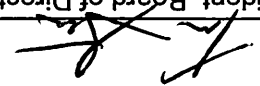
14. **Discuss and take any action in connection with District communications.** The Board decided no response to person researching disconnection information.

15. **Other Director and Consultant reports.** Director Mielke opened discussion about a sinkhole on Atascocita Shores, north of Sunny Shores Drive by the tennis courts. Discussion ensued regarding repair.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

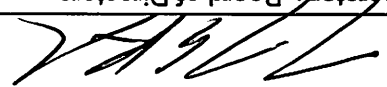
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The above and foregoing minutes were passed and approved by the Board of Directors on May 18, 2017.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

