

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 21, 2005

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 offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 at 12:00 p.m. on July 21, 2005; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Andy Armstrong, Secretary/Treasurer
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Michelle Guerrero of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal and Mr. Mark Froehlich of Brown & Gay Engineers, Inc., engineer for the District; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; Mr. Carl Sandin of Perdue, Brandon, Fielder, Collins & Mott, L.L.P. (“*PBFC&M*”), delinquent tax attorney for the District; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), 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 June 30, 2005, previously distributed to the Board, were presented for approval. Director Wilkinson noted one typographical error. Upon motion by Director Haney, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of June 30, 2005, as corrected.

2. **Receive comments from the public.** There were no public comments at this time.

3. **Review Bookkeeper’s Report and Investment Report.** The President recognized Ms. Kelly, who presented to and reviewed with the Board the Bookkeeper’s Report and Investment Report, copies of which are attached hereto as Exhibit “B.” Upon motion by Director Haney, seconded by Director Armstrong, 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 4935 through 4973 from the Operating Account, all as listed in the Bookkeeper’s Report.

4. **Discuss impact of Strategic Partnership Agreement (“SPA”) with City of Houston on budget and tax rate.** Ms. Moran reported that she has analyzed the potential impact of anticipated SPA revenues on the District’s debt service tax rate. Ms. Moran stated that based on a preliminary value of approximately \$392,000,000 and anticipated SPA revenues of approximately \$500,000 annually, the District could decrease its debt service tax rate by up to \$0.13. Ms. Moran stated that she would suggest reducing the tax rate incrementally over time after there is a history of SPA collection. Discussion ensued. In response to a question from Director Hughes, Ms. Moran noted that the Board will have to decide if they would like to utilize a portion of the SPA revenues for construction projects. Ms. Zapletal stated that she can prepare a summary of possible future construction projects for the Board’s review. Ms. Moran suggested that the Board consider a possible \$0.05 debt service rate tax reduction this year with the possibility of further reductions in future years. In response to a question from Director Hughes, Ms. Moran stated that she will prepare a letter with recommendations in connection with setting the tax rate and factors to consider when reducing the District’s tax rate.

5. **Review Tax Collector’s Report and authorize payment of certain bills.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector’s Report for June 2005, a copy of which is attached hereto as Exhibit “C.” Ms. Guerrero noted that 96.3% of the District’s 2004 taxes had been collected as of June 30, 2005.

Mr. Sandin presented to and reviewed with the Board the Delinquent Tax Attorney’s Report, a copy of which is attached hereto as Exhibit “D.” Discussion ensued regarding the delinquent property accounts on the name of Classic Contractors of Houston, Ltd. It was the consensus of the Board to have PBFC&M file suit to collect such accounts.

Upon motion by Director Johnson, seconded by Director Haney, 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 1381 through 1387 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Operations Report and Billing and Collections Report.** The President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report and a list of the delinquent accounts, copies of which are attached hereto as Exhibit “E.” Mr. Mensik reported that 99.08% of the water pumped was billed for the month ending June 23, 2005.

Mr. Mensik requested permission to turn four accounts in the total amount of \$673.14 over to collections.

Mr. Mensik reported that the manhole on the driveway at 20228 Atascocita Shores has been raised, but weather has prevented repairs to the driveway.

Mr. Mensik reported that the resident at 20414 Sunny Shores has requested the District’s assistance with repairs to her settling yard. Mr. Mensik stated that the District made repairs to the force main that runs through the resident’s yard over five years ago, but he does not believe that such repairs would cause her yard to sink. Mr. Mensik stated that the storm sewer is not causing the yard to sink. Discussion ensued. In response to a question, Mr. Mensik stated that he is not aware of any District facilities in her yard that would be causing settling. It was the

consensus of the Board for the resident to further investigate her problems with her yard and contact the Board if it is determined to be a problem with the District's facilities.

Upon motion by Director Hughes, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination of service to delinquent accounts and to authorize ST to turn four accounts in the total amount of \$673.14 over to collections.

7. **Status report on flow meters.** Mr. Mensik noted that the flow meter at lift station no. one registered 304 gallons per day per equivalent single family connection ("ESFC") for the month of June. Mr. Mensik reported that the flow meter at lift station no. three registered 345 gallons per day per ESFC for the month of June. Mr. Mensik reported that the Atascocita Joint Operations Board ("AJOB") flow meter reports have much higher flow numbers listed for last month. Mr. Mensik stated that he will contact the engineer for AJOB to determine why their flow numbers differ substantially from the flow numbers provided by ST to AJOB.

8. **Approve and authorize execution of Contract for Legal Services with Margaret Poissant for collection of builder damages.** Ms. Cogburn presented to and reviewed with the Board the proposed Contract For Legal Services with Margaret Poissant for the collection of the builder damages, a copy of which is attached hereto as Exhibit "F." Upon motion by Director Haney, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Contract For Legal Services with Margaret Poissant.

9. **Engineer's Report.** Ms. Zapletal presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Ms. Zapletal reported that Insituform Technologies, Inc. is substantially complete with phase one of the sanitary sewer rehabilitation. Ms. Zapletal reported that Brown & Gay is withholding 10% retainage in connection with the contract until all inspection punch list items are complete.

Ms. Zapletal reported that Repipe Texas, Inc. has provided bonds and insurance in connection with the contract for phase two of the sanitary sewer rehabilitation. Ms. Zapletal reported that F&J has reviewed and approved the performance and payment bonds. Upon motion by Director Haney, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the contract with Repipe Texas, Inc. for phase two of the sanitary sewer rehabilitation.

Ms. Zapletal reported that ST provided 7,860 linear feet of video footage of sewer lines to Brown & Gay after the last Board meeting. Ms. Zapletal stated that Brown & Gay estimates the cost for heavy cleaning and rehabilitation of the deficiencies (priorities one through three) in such lines within Atascocita Shores, Sections Four and Six to be approximately \$269,307. Ms. Zapletal reviewed with the Board a summary of the video footage and the cost estimate, a copy of which is attached to the Engineer's Report.

Ms. Zapletal reported that the Texas Commission on Environmental Quality approved the District's request for minimum alternative capacity requirements for a system with more than 2,500 connections. Ms. Zapletal reported that Brown & Gay is researching cost information in connection with the required interconnect metering.

10. **Authorize engineer to advertise for bids for phase three of the sanitary sewer rehabilitation work.** Ms. Zapletal reported that Brown & Gay is in the process of preparing plans and specifications for phase three of the sanitary sewer rehabilitation. Ms. Zapletal noted that, upon completion, the plans will be submitted to Harris County for review and approval.

11. **Adopt Resolution Declaring Intent to Reimburse Expenditures with Proceeds of Tax Exempt Bonds.** Ms. Cogburn presented to and reviewed with the Board a Resolution Declaring Intent to Reimburse Expenditures with Proceeds of Tax-Exempt Obligations in connection with the District's pro-rata share of the joint wastewater treatment plant improvements and expansion, a copy of which is attached hereto as Exhibit "H." Discussion ensued. Upon motion by Director Haney, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Declaring Intent to Reimburse Expenditures with Proceeds of Tax-Exempt Obligations.

12. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that David Ward Partners has requested capacity for 268 equivalent single family connections ("ESFC") to serve the proposed Atascocita Boardwalk on 6.348 and 7.78 acres of land on FM 1960 at Atascocita Shores Drive, a copy of which request is attached to the Engineer's Report. Ms. Zapletal reported that the District currently has 158 ESFC available to commit and will require 110 ESFC of pooled wastewater treatment plant capacity to fulfill the sewer commitment to the project. Ms. Cogburn noted that under the Pooling Contract there is no charge to reserve capacity. Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of a capacity commitment letter for David Ward Partners.

13. **Status report on design of an additional pump at lift station no. four.** Ms. Zapletal reported that the preparation of the plans for improvements to the shared lift station with Harris County MUD No. 151 is complete and the plans have been provided to Harris County and the City of Houston for review and approval. Ms. Zapletal reported that the plans have also been provided to the engineer and operator for Harris County MUD No. 151 for review.

14. **Approve and authorize execution of an Interlocal Agreement with Harris Galveston Coastal Subsidence District for Waterwise Program.** The Board reviewed a proposed Interlocal Contract, a copy of which is attached hereto as Exhibit "I." Upon motion by Director Hughes, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of an Interlocal Agreement with Harris Galveston Coastal Subsidence District for the Waterwise Program.

15. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department regarding ISO rating.** Ms. Cogburn presented to the Board the invoice received from Emergency Services District No. 46 in response to Ms. Cogburn's request for a detailed invoice summarizing the costs of the ISO survey that relate directly to the individual municipal utility districts' water systems, a copy of which is attached hereto as Exhibit "J." It was the consensus of the Board for Ms. Cogburn to contact the attorney for ESD No. 46 to inform them that the District will not be able to contribute funds for the ISO Survey unless the District receives a more detailed invoice.

16. **Discuss and take any action in connection with District communications.** Director Hughes reported that the District's website is online and agendas, minutes, and the District's Drought Contingency Plan have been posted on the website. Director Wilkinson requested that the District's Consumer Confidence Report also be posted on the website. Discussion ensued regarding the posting of a link on the website in connection with sex offenders in the area. It was the consensus of the Board to limit the website to matters directly related to District functions at this time.

17. **Other matters.** There were no other matters to come before the Board at this time.

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
August 18, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)