

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 18, 2012

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 Atascocita Country Club, 20114 Pinehurst Trail Drive, Humble, Texas, 77346, on October 18, 2012 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

All members of the Board were present except Director House. Also attending all or parts of the meeting were Mr. Bob Leared of Bob Leared Interests, tax assessor and collector for the District; Ms. Fredia Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Larry Jones and Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. ("*ST*"), operator of the District's facilities; Mr. Rico Rodriguez of Brown & Gay Engineers, Inc. ("*Brown & Gay*"), engineer for the District; Ms. Nikki Wynn, Communications Program Consultant; 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 September 20, 2012, previously distributed to the Board, were presented for approval. Upon motion by Director Holder, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 20, 2012, as presented.
2. **Public Hearing on Tax Rate.** The President opened the hearing on the proposed 2012 tax rate. There were no comments on the tax rate from the public. The President closed the hearing.
3. **Adopt Order Setting Tax Rate and Levying Tax For 2012.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2012, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Holder, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the

Order Setting Tax Rate and Levying Tax for 2012, thereby levying a tax at a rate of \$0.155 per \$100 assessed valuation (\$.060 for debt service and \$0.095 for operations and maintenance).

Upon motion by Director Lentz, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's tax assessor and collector to mail duplicate tax statements to those residents for whom a tax statement is sent to the mortgage company.

4. **Adopt Amended and Restated District Information Form.** Ms. Cogburn stated that an Amended District Information Form will need to be filed in the Harris County Real Property Records since the tax rate has changed. Upon motion by Director Lentz, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution and filing of the Amended District Information Form, a copy of which is attached hereto as Exhibit "C," in the Harris County Real Property Records.

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

6. **Presentation by WM Security Services.** There was no one from WM Security Services in attendance. Director Lentz stated that he will contact WM Security regarding this matter.

7. **Discuss and take necessary action in connection with participation in Acclaim Energy Advisors Dynamic Load Optimization/Demand Response Program.** Ms. Christensen stated that Acclaim Energy Advisors is in the process of preparing a proposal for installation of the necessary equipment for the Demand Response Program, including the estimated revenue for the District.

8. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending October 18, 2012 and the Investment Report, copies of which are attached hereto as Exhibit "D."

Ms. Conley reported that she has transferred the remaining balance in the Capital Projects Fund (\$130,284.90) to the General Operating Fund.

In response to a previous question, Ms. Conley stated that the returned builder refund checks were not included in the amount of funds escheated to the State in July 2012 because they are not due to be escheated until 2013.

Ms. Conley reported that State Bank of Texas is not accepting public funds for investment in certificates of deposit. Ms. Conley stated that she is trying to contact a representative at Plains State Bank to determine if they are accepting public funds. Discussion ensued regarding alternate options for investment of District funds. Ms. Cogburn stated that the District can also invest funds in government bonds and/or treasury bills. Ms. Conley stated that she will further research the District's options for investment of funds.

In response to a previous question, Ms. Conley stated that the water revenue was higher than normal last month because of a duplicate deposit entry and a credit issued by the bank for ACH withdrawals. Ms. Conley stated that she will further research such discrepancy.

Upon motion by Director Holder, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report for the period ending October 18, 2012, to approve the Investment Report, and to authorize payment of check numbers 7936 through 7959 from the Operating Account, all as listed in the Bookkeeper's Report.

9. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Leared presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of September 2012, a copy of which is attached hereto as Exhibit "E." Mr. Leared noted that 99.26% of the District's 2011 taxes had been collected as of September 30, 2012. Upon motion by Director Lentz, 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 1001 through 1009 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Discussion ensued regarding the fluctuation in the District's assessed valuation over the last three years. It was the consensus of the Board that the District's tax assessor and collector prepare a detailed summary regarding the increases and decreases in residential and commercial properties within the District for the past three years.

10. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for September 2012, a copy of which is attached hereto as Exhibit "F." Mr. Jones reported that 97.07% of the water pumped was billed for the month ending September 24, 2012.

Mr. Jones reported that there are 116 accounts on the delinquent list.

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 Operations Report and to authorize termination of service to the delinquent accounts.

11. **Discuss and take necessary action in connection with August 18, 2012 water main break.** Mr. Jones reported that ST has the following staff members answering customer billing questions and/or addressing facility related matters seven days a week: 25 staff members for the day shift, nine staff members for the night shift (9 until 11 pm), and two staff members for the late night shift (11 pm until 7 am). Mr. Jones also reported that ST ordered a new recording device in order to play automated phone responses when an emergency event occurs in the District such as a water main break. Mr. Jones further reported that all Board members will be notified of any emergency events as soon as possible after discovered. Ms. Wynn reported that, for an additional cost, the website host can send email blasts regarding emergency repairs and Ms. Wynn or the website host can also add notifications to the website homepage regarding emergency repairs.

12. **Engineer's Report.** Mr. Rodriguez presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G" and which follows in substantially the form it was presented:

Construction Plan Review:

Aldi Food Market: Brown & Gay received commercial build-out plans on October 8, 2012. Brown & Gay will complete review of the plans and will issue an approval letter by Monday October 22, 2012.

Service to Former Golf Course Property (Pinehurst Trail Holdings, LLC and QLS):

Brown & Gay is in the process of obtaining revised metes & bounds and survey descriptions from both Pinehurst Trail Holdings and QLS.

Alex Reyna Tract (on Pinehurst Trail Drive):

Mr. Reyna, who owns a tract located within the District and Harris County MUD No. 153 has inquired whether the District can provide service to his tract.

Discussion ensued. It was the consensus of the Board that Mr. Reyna submit a deposit to the District's engineer to prepare a feasibility study in connection with providing service to the tract.

Water Plant No. 2 – Shared Driveway:

The property owner to the south of the water plant driveway has asked if the Board would allow him to utilize a portion of the District's driveway as access to his proposed mechanics garage site.

It was the consensus of the Board to not share the water plant driveway as the District's operator needs to be able to access the water plant facilities at any time.

Ponding water at ditch on Rebawood at Atascocita Shores Drive:

At the last Board meeting, Brown & Gay was asked to investigate an issue related to ponding water at drainage ditch. Brown & Gay determined that the ditch has settled and as a result, water will not drain properly. Brown & Gay is preparing a memo with options for addressing the problem and anticipates having it issued to the Board by Friday October 26, 2012. Attached to the Engineer's Report are pictures of the area.

Extensive discussion ensued regarding ownership of the drainage ditch. It was the consensus of the Board that Brown & Gay and F&J determine the current owner of the drainage ditch and that a recommendation regarding necessary repairs and ongoing maintenance for the ditch be made at the next Board meeting.

Storm sewer maintenance review summary:

The Board previously reviewed the draft map prepared by Brown & Gay illustrating the segments of the storm sewer lines which are the responsibility of either Harris County, the District or the Kings River Estates Property Owners Association. Brown & Gay addressed feedback from the Board and ST. Once finalized, Brown & Gay anticipates submitting the map along with a cover letter to the Harris County Public Infrastructure

Department (“HCPID”) outlining the maintenance responsibilities and requesting that HCPID acknowledge and agree to such.

Water Plant Expansion (Schier Construction):

The Board previously awarded the contract for the re-coating of ground storage tank no. one (“GST No. 1”) at Water Plant No. 2 to W. W. Payton. F&J reviewed the bonds and insurance. Contracts are ready to be executed by the Board.

Atascocita Joint Operations Board (“AJOB”):

A copy of the draft AJOB report is not yet available.

Diversion Swale and Berm for Kings River Estates, Section Four - Construction contract (C.E. Barker, Ltd.):

Brown & Gay is coordinating with F&J to secure three drainage easements not previously returned for recordation. The easements are on Lot 2, Lot 4, and within the POA’s Reserve A.

The warranty inspection will be scheduled at the appropriate time so any warranty issues can be addressed before November 17, 2012.

Diversion Swale and Berm for Kings River Estates, Section Four -Maintenance Contract (Champions Hydro-Lawn):

There was no maintenance report at this time.

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 Engineer’s Report, and to authorize execution of the contract for the re-coating of GST No. 1.

13. **Review and authorize capacity commitment letters.** Mr. Rodriguez stated that no capacity commitment requests have been received since the last Board meeting.

Discussion ensued regarding the property on Atascocita Shores adjacent to the marina. Mr. Jones stated that he will contact the Harris County Health Department to report the hole in the ground where a septic tank was previously located.

14. **Discuss and take necessary action in connection with providing water service to former Atascocita Country Club and QLS/Lifetime Fitness and take necessary action in connection with annexation of such property.** Ms. Cogburn noted that F&J is awaiting receipt of the correct legal descriptions and maps from the engineer to complete preparation of the Petitions for Addition of Land.

Discussion ensued regarding service to the QLS property. It was noted the QLS is still obtaining service through its unauthorized connection to the Pinehurst Trail Holdings property. It was the consensus of the Board that F&J prepare and send a letter to QLS informing them that they need to have a new tap installed for service to the QLS property prior to January 1, 2013 and if the new tap is not installed prior to January 1, 2013, the District will terminate service to the QLS property until such time as a tap is installed.

15. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that the quarterly newsletter should be distributed in the next week. Ms. Wynn stated that she will prepare an article regarding the tax rate decrease for posting on the website. Ms. Wynn stated that she will prepare an article for the next newsletter to inform residents that any emergency repair notices will be posted on the District's website.

16. **Other Matters.** In response to a question from Ms. Conley regarding the new electricity provider, the Board authorized issuance of a check to Green Mountain for the month of October 2012.

Director Stine noted that the next Board meeting will be held at the Atascocita Country Club.

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 November 15, 2012.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

