

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 20, 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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas, 77346, on September 20, 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 Whitaker. Also attending all or parts of the meeting were Mr. Michael Keefe 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 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; Mr. Garland Mann of Acclaim Energy Advisors; Ms. Julia McCain of McCall Gibson Swedlund Barfoot, PLLC, auditor for the District; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; and Ms. Jana Cogburn and Ms. Yvette Deitrick 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 August 16, 2012, previously distributed to the Board, were presented for approval. Upon motion by Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of August 16, 2012, as presented.

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

3. **Approve audit for fiscal year ended May 31, 2012.** Ms. McCain presented to and reviewed with the Board McCall Gibson Swedlund Barfoot, PLLC's audit management letter and the draft of the audit for fiscal year ended May 31, 2012, a copy of which is attached hereto as Exhibit "B." Upon review of the budget, included in the draft audit, Director Stine

noted that the \$500,000 transfer of operating funds to the debt service fund should be included in the budget. Ms. McCain stated that she will further research such matter and revise the audit accordingly. Director Lentz stated that the West Harris County Regional Water Authority should not be listed as a "consultant" on page 57. Director Stine stated that Note 13 should reflect that the District passes through the well pumpage fee to its customers. 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 audit for fiscal year ending May 31, 2012, subject to the noted changes.

4. **Presentation by WM Security Services.** There was no one from WM Security Services in attendance.

5. **Discuss and take necessary action in connection with participation in Acclaim Energy Advisors Dynamic Load Optimization/Demand Response Programs.** The President recognized Mr. Mann, who reported that Acclaim Energy can offer the District participation in an electricity load shedding demand response program through CenterPoint Energy, which would enable the District to run District facilities on standby generation in times of anticipated brown/black-outs and earn revenue. Mr. Mann reviewed with the Board Acclaim's presentation in connection with the demand response program, a copy of which is attached hereto as Exhibit "C." Discussion ensued. The Board authorized Mr. Mann to coordinate with the District's bookkeeper to obtain a letter of authorization for access to the District's electrical consumption information. Mr. Mann stated that once he obtains the estimated costs to install the necessary equipment and the estimated revenue for the District, he will present a formal proposal to the District for consideration.

6. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending September 20, 2012 and the Investment Report, copies of which are attached hereto as Exhibit "D."

Director Stine stated that a portion of Pay Estimate No. 17 and Final (\$161,945) in connection with the water plant rehabilitation should be paid with the remaining balance in the Capital Projects Fund (\$130,284.90) and the remaining amount due (\$33,660.10) should be paid from the General Operating Fund.

Director Stine asked Ms. Conley to determine whether the District can obtain certificates of deposit from Plains State Bank.

In response to a question from Director Stine, Ms. Conley stated that she will determine why the returned builder refund checks were not included in the amount of funds escheated to the State last month.

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 for the period ending September 20, 2012, to approve the Investment Report, and to authorize payment of check numbers 7897 through 7935 from the Operating Account, all as listed in the Bookkeeper's Report.

7. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the draft of the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "E." Ms. Cogburn stated that the District is required to file such report pursuant to the bond orders for the District's 2003, 2006, and 2010 bond issues. 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 Annual Report on Financial Information and Operating Data and to authorize the filing of same.

8. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of August 2012, a copy of which is attached hereto as Exhibit "F." Mr. Keefe noted that 99.1% of the District's 2011 taxes had been collected as of August 31, 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 1744 through 1748 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** Ms. Moran presented to and reviewed with the Board a cash flow analysis and recommendation for levying the 2012 tax rate, a copy of which is attached hereto as Exhibit "G." Extensive discussion ensued regarding lowering the debt service tax rate. The Board reviewed the draft Order Designating Officer to Calculate and Publish Tax Rate for 2012, a copy of which is attached hereto as Exhibit "H." 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2012, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.155 for \$100 assessed valuation (\$0.06 for debt service and \$0.095 for operations and maintenance).

10. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for August 2012, a copy of which is attached hereto as Exhibit "I." Mr. Jones reported that 90.18% of the water pumped was billed for the month ending August 23, 2012.

Mr. Jones requested permission to turn over one account in the amount of \$125.00 to collections.

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 Operations Report, to authorize termination of service to the delinquent accounts, and to authorize ST to turn over one account in the amount of \$125.00 to collections.

Mr. Jones presented to and reviewed with the Board the Water Smart application, a copy of which is attached hereto as Exhibit "J." Director Stine stated that the Board has not yet decided if they would like to file the application for 2012.

Mr. Jones reported that a District customer, Target, requested waiver of late fees on two accounts in the amounts of \$52.20 and \$73.33. It was the consensus of the Board to deny such request.

11. **Discuss and take necessary action in connection with water main break on August 18, 2012.** The President reported that a water main break occurred in the District on Saturday, August 18, 2012 during which a substantial amount of water was lost and residents complained of difficulty in contacting the District's operator to report the break. The Board reviewed Director Whitaker's critique of the water main break and responses from the engineer and operator, a copy of which is attached hereto as Exhibit "K." Extensive discussion ensued regarding the water main break. Mr. Jones reported that ST will be adding additional staff so that billing issues and emergency calls can be addressed 24 hours a day. In response to a question, Ms. Wynn stated that she will inquire whether the website can send email blasts regarding emergency repairs. Director Stine requested that Mr. Jones keep the Board updated on the amount of the staff increase and options in connection with automated phone responses.

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 "L" and which follows in substantially the form it was presented:

Construction Plan Review:

Community Resource Credit Union (Atascocita Road): Brown & Gay received final approved plans. Brown & Gay and ST are reviewing the plans to verify that comments were adequately addressed. Brown & Gay anticipates issuing an approval letter this week.

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

Brown & Gay has prepared the revised district boundary and metes & bounds. Brown & Gay anticipates the maps and metes & bounds will be complete by September 23, 2012.

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):

A final inspection was held July 20, 2012. Schier Construction has completed all punch list items. The first day of the one-year warranty period is September 6, 2012.

Schier Construction submitted Pay Estimate No. 17 and Final in the amount of \$161,945.00.

Water Plant No. 2, Ground Storage Tank No. One (“GST No. 1”) – Brown & Gay solicited three private bids for re-coating GST No. 1 at Water Plant No. 2. W.W. Payton submitted a low bid of \$49,975.00. A copy of Brown & Gay’s recommendation of award letter and a copy of the bid tabulation is attached to the Engineer’s Report.

Discussion ensued. Mr. Rodriguez stated that Brown & Gay anticipates that the re-coating will last between 10 and 15 years.

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.

Director Stine requested that Mr. Rodriguez work on obtaining the remaining three easements.

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 Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer’s Report, to approve payment of Pay Estimate No. 17 and Final in connection with the water plant expansion, and to award the contract for the re-coating of GST No. 1 to the low bidder, W.W. Payton, in the amount of \$49,975.00.

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

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 legal descriptions and maps from the engineer and the owner’s title policies to proceed with preparation of the Petitions for Addition of Land.

15. **Discuss and take any action in connection with District communications.** Ms. Wynn reported on the articles for the next quarterly newsletter. Ms. Wynn stated that she will prepare an article regarding the tax rate decrease. Ms. Wynn then reviewed with the Board the recent website statistics.

Mr. Jones reported that he met with Mr. Robert Seagraves regarding his concerns with the prevalence of the West Nile Virus in the area. Discussion ensued regarding whether there are any preventative measures that the District can take to alleviate the mosquito problems near District drainage ditches. Director Stine requested that the engineer investigate whether there are any structural solutions.

16. **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 October 18, 2012.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

