

MINUTES OF MEETING OF BOARD OF DIRECTORS

January 17, 2013

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 Library, 20114 Pinehurst Trail Drive, Humble, Texas, 77346, on January 17, 2013 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 Lentz. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Mr. Terry Holland 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. Zach Hardoin of Champions Hydro Lawn; 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 November 15, 2012, previously distributed to the Board, were presented for approval. Director Stine stated that Operations Report should be revised to reflect that "Mr. Jones reported that the valve at Atascocita Lakeway and *Atascocita* Shores..." and "Mr. Jones reported that he will contact the Harris County Health Department to report the hole in the ground where a septic tank was previously located." Director Stine stated that the Bookkeeper's Report should be revised to reflect that "...Ms. Conley stated that she will contact the bank to research duplicate deposit and ACH credit discrepancies." Director Stine stated that the following sentence should be deleted from the Engineer's Report: "It was the consensus of the Board that Brown & Gay contact HCFCD and request that they resolve the drainage ditch issues. Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of November 15, 2012, as corrected."



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

3. **Review Bookkeeper's Report and Investment Report.** Mr. Holland presented to and reviewed with the Board the Bookkeeper's Report for the period ending January 17, 2013 and the Investment Report, copies of which are attached hereto as Exhibit "B."

In response to a question from previous meetings, Mr. Holland stated that he will research the duplicate deposit and ACH credit discrepancies.

Mr. Holland presented Resolutions from Texan Bank and Plains State Bank acknowledging the District's purchase of Certificates of Deposit at the banks.

Director Stine provided Mr. Holland with a mark-up of the Bookkeeper's Report reflecting a number of revisions that need to be made in the report. Director Stine noted that the following issues should be addressed: page 1 – update the customer deposit amount (should be closer to \$170,000); page 4 – update the information for three expired CDs; page 6 – the "7 months year-to-date budget" column numbers need to be corrected; pages 7 and 9– add a line item under non-operating expenditures for the Ground Storage Tank re-coating and transfer the \$44,077.50 to such line item; page 6 – research why the August 2012 water revenue is substantially higher than normal; and page 12 – combine the electricity 8/20-9/19/2012 and 9/19-9/24/2012 columns.

In response to a question from Director Stine, Mr. Holland stated that he will further research the District's options for investment of funds, including government bonds and/or treasury bills.

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 accept the Bookkeeper's Report for the period ending January 17, 2013, to approve the Investment Report, and to authorize payment of check numbers 8034 through 8058 from the Operating Account, all as listed in the Bookkeeper's Report.

4. **Authorize transfer of funds from Operating Account to the Debt Service Account.** 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 authorize the transfer of \$500,000 from the District's General Fund to the Debt Service Fund.

5. **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 Reports for the months of November and December 2012, copies of which are attached hereto as Exhibit "C." Mr. Keefe noted that 99.42% of the District's 2011 taxes and 42.6% of the District's 2012 taxes had been collected as of December 31, 2012. 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 1013 through 1026 (voiding check nos. 1014 and 1019) from the Tax Account to the persons, in the amounts, and for the purposes listed therein.



In response to a statement from Director Holder regarding the last time the District's value split history summary was updated (October 15, 2012), Mr. Keefe stated that he will have the last page of his report updated.

Mr. Keefe reviewed with the Board a detailed summary for the top valued commercial property accounts within the District for the past three years, a copy of which is attached to the Tax Assessor and Collector's Report.

6. **Adopt Order Authorizing Exemptions from Taxation (Disabled and 65 Years of Age or Older and Residential Homestead).** Ms. Cogburn presented to the Board drafts of the Order Adopting Exemption from Taxation for Individuals who are Disabled or are 65 Years of Age or Older and the Order Adopting a Residential Homestead Tax Exemption. It was the consensus of the Board to maintain the exemption amounts at \$40,000 for those persons that are Disabled or 65 Years of Age or Older and at 20% for residential homesteads. Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to Adopt the Orders Authorizing Exemption from Taxation, copies of which are attached hereto as Exhibit "D."

7. **Adopt Resolution Authorizing 20% Additional Penalty on Delinquent Taxes.** Ms. Christensen presented to the Board the Resolution Authorizing 20% Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Texas Tax Code, a copy of which is attached hereto as Exhibit "E." Upon motion by Director House, seconded by Director Whitaker, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing 20% Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Texas Tax Code.

8. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Reports for the months of November and December 2012, copies of which are attached hereto as Exhibit "F." Mr. Jones reported that 91.44% of the water pumped was billed for the month ending December 19, 2012.

Mr. Jones requested permission to turn over nine accounts in the aggregate amount of \$1,435.87 to collections and to write off one account in the amount of \$4.88.

Mr. Jones reported that the circuit board for the automatic transfer switch at the lift station no. two generator needs to be replaced. Mr. Jones stated that it will cost \$3,852 to replace the circuit board or approximately \$11,000 to replace the entire automatic transfer switch.

Mr. Jones clarified that the pump at lift station no. one needs to be replaced rather than the motor as he reported at the previous Board meeting. Mr. Jones stated that the old pump (1983 model) is cracked. Mr. Jones reported that the new pump has been ordered and should be delivered in four weeks. Mr. Jones stated that the cost to replace the pump is \$42,000 and such expenditure was approved at the last Board meeting. Mr. Jones reviewed with the Board photographs of the old pump, copies of which are attached to the Operations Report.

Mr. Jones reported that he contacted the Harris County Health Department to report the hole in the ground where a septic tank was previously located (on Atasocita Shores adjacent to



the marina). Mr. Jones stated that the Health Department issued a work order and a notice will be sent to the property owner.

Mr. Jones reported that the valve at Atascocita Lakeway and Atascocita Shores is now operating correctly and does not need to be replaced.

Director Stine requested that Mr. Jones determine if there is a leak at Atascocita Shores Drive (just north of FM 1960).

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, to authorize termination of service to the delinquent accounts, to authorize turning over nine accounts in the aggregate amount of \$1,435.87 to collections and writing off one account in the amount of \$4.88, and to authorize the replacement of the lift station no. two automatic transfer switch circuit board.

9. **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:

Storm sewer maintenance review summary:

The Board reviewed the finalized 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. A high resolution, electronic copy of the revised map is available to Board for final review and comment. 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.

Mr. Rodriguez stated that the District is responsible for 11,000 linear feet of the storm sewer lines, Harris County is responsible for 63,000 linear feet of storm sewer lines, the City of Houston is responsible for 8,000 linear feet of storm sewer lines, and property owner associations are responsible for 4,500 linear feet of storm sewer lines. Mr. Rodriguez stated that it will cost between \$20,000 and \$30,000 to televise the District's storm sewer lines. Discussion ensued regarding televising the District's lines. Director Stine noted that the District is also responsible for some damaged outfall lines.

Water Plant No. Two – Ground Storage Tank No. 1 Expansion (Schier Construction):

The contractor has completed the ground storage tank no. one recoating and the operator has scheduled the disinfection. Contractor submitted Pay Estimate No. 1 in the amount of \$44,077.50 for Board approval.

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. A follow-up letter describing this issue has been sent to the owners of record for the subject tracts requesting execution of the easement documents. One of the packages was returned unclaimed from 20803 Kings Crown Court-Ana P. Braun. No response to date from the other residents.

The Board directed Mr. Rodriguez to obtain the tax mailing addresses for the three outstanding easements from the District's tax assessor/collector and send the easements to such addresses.

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

Mr. Hardoin presented to and reviewed with the Board the maintenance report, a copy of which is attached hereto as Exhibit "H." Discussion ensued regarding whether winter overseeding is still necessary. Mr. Hardoin stated that he will investigate and inform the Board whether the grass has been sufficiently established.

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 approve the Engineer's Report and to approve and authorize payment of Pay Estimate No. 1 in connection with the Ground Storage Tank No One recoating project.

In response to a question from Director Stine, Mr. Rodriguez provided F&J with a copy of the Harris County Flood Control District acceptance letter in connection with the golf course drainage ditch. It was noted that, according to the letter, HCFCD accepted the ditch only for major repairs and excepted the portions of the ditch with golf course amenities.

Mr. Rodriguez reported that the tap for the Lifetime Fitness property is scheduled to be installed next week.

Discussion ensued regarding the previously budgeted funds (\$120,000) for inspecting and rehabilitating water well no. two. Mr. Rodriguez stated that he will contact Amy Zapletal, the previous engineering representative from Brown & Gay for the District, to determine her intentions when budgeting for such project.

**10. Review and authorize capacity commitment letters.** Mr. Rodriguez reviewed with the Board a request for a capacity commitment for SAAB Petroleum Atascocita, LTD, a copy of which is attached to the Engineer's Report. Mr. Rodriguez stated that the request is for 805 gpd of water supply and dry weather flow wastewater treatment capacity. Mr. Rodriguez stated that the District has sufficient capacity to serve SAAB Petroleum Atascocita, LTD. 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 authorize a capacity commitment letter to SAAB Petroleum Atascocita, LTD.



11. **Discuss and take necessary action in connection with drainage ditch on golf course property.** There was no further discussion on this item.

12. **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 received the signed Petition for Addition of Land from Lifetime Fitness and is awaiting receipt of the title policy from K-San, the new owner of the Pinehurst Trail Holdings tract.

Mr. Cogburn noted that a representative of Lifetime Fitness has inquired about the platting exceptions for its property. Discussion ensued. It was the consensus of the Board that Lifetime Fitness' engineer and/or attorney address the platting exceptions with the representative of Lifetime Fitness.

Discussion ensued regarding the annexation of the Country Club property, which is now owned by K-SAN. The Board directed F&J to prepare and send a letter to K-SAN regarding the previous agreement with Pinehurst Trail Holdings to annex the property.

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 and authorize execution of the Petition for Consent to Addition of Land in connection with the Lifetime Fitness property.

13. **Approve and authorize execution of Fourth Amended and Restated Waste Disposal Contract and Second Amended and Restated Sanitary Sewer Line Contract.** Ms. Cogburn reported that the Fourth Amended and Restated Waste Disposal Contract and Second Amended and Restated Sanitary Sewer Line Contract were approved at the last Board meeting.

14. **Discuss and take any action in connection with District communications.** Ms. Wynn reported that she coordinated with the Texas Network and ST regarding the new emergency repair notification system on the District's website and ST's new notification system. Ms. Wynn reported on articles for the next quarterly newsletter. Director Stine requested that an article be included in the next newsletter (and on the website) regarding the District's 2012 tax rate reduction.

Director Stine also requested Ms. Wynn develop a promotion of the District's Direct Payment Program to increase participation.

15. **Other Matters.** Director House noted that the next Board meeting will be held on February 21, 2013 at the Atascocita Library.

Mr. Jones reported that Harris County Municipal Utility District No. 151 will be replacing valves at its water plant in the near future and will need to utilize water from its interconnect with the District for approximately four to six hours.

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  
February 21, 2013.



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President, Board of Directors

ATTEST:



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Secretary, Board of Directors

(DISTRICT SEAL)

