

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 16, 2014

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, 19520 Pinehurst Trail Drive, Humble, Texas, 77346, on January 16, 2014 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 Holder, who entered the meeting in progress. Also attending all or parts of the meeting were Mr. Michael Keefe 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 Environmental Services, Inc. ("*ST*"), operator of the District's facilities; Mr. Matt Froehlich of Brown & Gay Engineers, Inc. ("*Brown & Gay*"), engineer for the District; Ms. Nikki Wynn, Communications Program Consultant; Ms. Michele Arbunic, property owner in the District; and Ms. Jana Cogburn and Ms. Emerald Lagow of Fulbright & Jaworski LLP ("*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 21, 2013, previously distributed to the Board, were presented for approval. Upon motion by Director House, 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 November 21, 2013, as presented.

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

3. **Review Bookkeeper's Report and Investment Report.** Ms. Kay presented to and reviewed with the Board the Bookkeeper's Report for the period ending January 16, 2014 and the Investment Report, copies of which are attached hereto as Exhibit "B." Discussion ensued regarding the release of the refund check(s) payable to Lifetime Fitness pending confirmation of the amount due. The Board directed Mr. Jones to confirm that the amount is correct and, if so, directed Ms. Kay to release such check upon receipt of confirmation of the amount from Mr. Jones and approval by Director Stine.

Director Stine asked Ms. Kay to determine why the Bookkeeper's Report does not show any "SPA" revenue for July and to correct the report as necessary. Director Stine pointed out

several errors on the year-to-date budget and asked Ms. Kay to correct the errors and send out a revised year-to-date budget. The Board directed Ms. Kay to not renew any Certificates of Deposit until after the Board determines the amount, if any, of bonds it will redeem prior to maturity. Director Holder entered the meeting at this time.

Upon motion by Director Whitaker, 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 January 16, 2014, to approve the Investment Report, and to authorize payment of check numbers 8409 through 8456 from the Operating Account, all as listed in the Bookkeeper's Report.

4. **Approve transfer in the amount of \$500,000 from the Operating Fund to the Debt Service Fund as provided in the Annual Budget.** 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 direct the Bookkeeper to transfer \$500,000 from the District's Operating Fund to its Debt Service Fund, as provided in the annual budget.

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 Report and the Delinquent Tax Attorney's Report for the month of December 2013, copies of which are attached hereto as Exhibit "C." Mr. Keefe noted that 38.1% of the District's 2013 taxes had been collected as of December 31, 2013. Mr. Keefe noted that the District's delinquent tax attorney is recommending that the Board move two accounts to the uncollectible roll. Upon motion by Director House, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, to authorize payment of check numbers 1107 through 1120 from the Tax Account to the persons, in the amounts, and for the purposes listed therein and to approve the transfer of accounts #0823898 and #1031262 to the uncollectible roll.

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 who are Disabled or 65 Years of Age or Older and at 20% for residential homesteads. Upon motion by Director Whitaker, seconded by Director House, 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. Cogburn 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 Report for the months of November and December 2013, copies of which are attached hereto as Exhibit "F." Mr. Jones reported that more than 95% of the water pumped was billed for each of the prior two months.

Mr. Jones requested permission to turn over four accounts in the aggregate amount of \$494.93 to collections and to write off three accounts in the amount of \$54.66.

Mr. Jones reported that there are 125 accounts on the delinquent list.

Discussion ensued regarding the builder damage accounts. The Board asked Mr. Jones to provide updated information regarding these accounts.

Mr. Jones stated that the District received a letter from a resident requesting that the late fees be removed from his water bill due to the amount of time it took to process his payment. Discussion ensued regarding the timing for online payment processing. It was the consensus of the Board to waive the late payment fee in this instance, but to notify the customer that he needs to allow additional time for electronic payments to reach the District in the future. The Board asked Ms. Wynn to include an article in the next newsletter regarding this issue.

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 the Operations Report, to authorize termination of service to the delinquent accounts and to authorize turning over five accounts in the aggregate amount of \$494.93 to collections and to write off one account totaling \$54.66.

9. **Comments from the Public.** Ms. Arbunic addressed the Board and expressed her frustration with the District's billing procedures. Ms. Arbunic acknowledged that she was late on a payment but stated she had not received any turn-off notification in the mail and was not aware of a "red-tag" since the residence is vacant. No action was taken.

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

Commercial Plan Reviews:

There were no new commercial plan review submittals this month.

Storm sewer maintenance review summary:

The Operator completed cleaning and televising approximately 2,700 LF that was previously submerged and/or had sediment/debris at the time of CleanServe's inspection. Brown & Gay reviewed the video inspection and compiled a list of defects. Approximately 1,300 LF of storm sewer was submerged and could not be televised by the Operator. The Operator is working on cleaning and televising 5,400 LF of storm sewer that was previously identified as County or private sewer. Once all of the storm sewer has been televised and the video inspections reviewed, Brown & Gay will present a summary of our findings and recommendations for rehabilitation of the system.

Based on comments from the Board and the Attorney, Brown & Gay revised the letters to Harris County Precinct Nos. 2 and 4 summarizing the District's understanding of maintenance responsibility for the Board's review.

Annual Tank Inspections

Brown & Gay continues to coordinate with the Operator for annual Ground Storage Tank (GST) and Hydro-Pneumatic Tank (HPT) inspections. The Water Plant No .2 (WP2) GST No. 2 warranty repairs are complete and the tank was brought back online in mid-

December. Brown & Gay completed our annual inspection and report (hard copy available for review).

As we discussed previously, the WP2 HPT is due for internal inspection. The tank is approximately 20 years old. Before opening up the tank, our inspector performed ultrasonic thickness readings on the tank. Many came back at 'A' which is standard, but several came back at around 1/4". Obtaining these low readings prior to opening the tank up leads us to believe the tank is at the point it needs to be replaced.

Brown & Gay recommends the Board consider and decide on a course of action for replacing the WP2 HPT. The following summarizes the options for replacing the HPT:

1. Replace 20K HPT at current location;
2. Construct a new 20K HPT in different location, then abandon/demo or replace the existing 20K HPT;
3. Construct a new 10K HPT in different location, then demo existing 20K HPT and replace it with a new 10K HPT; and
4. Demo the existing 20K HPT, then relocate newest 20K HPT from WP1 to WP2. Install new HPT at WP1 and potentially construct 2nd 20K HPT at WP2.

Brown & Gay would like to discuss these options and their estimated construction costs with the Board. Based on the anticipated condition of the WP2 HPT and the shortened construction time to move the existing HPT from WP1 to WP2, Brown & Gay recommends Option 4 for the Board's consideration. Brown & Gay estimates the costs to relocate the HPT to be \$20,000-\$25,000. With the Board's authorization, Brown & Gay will solicit a quote from a contractor. Once the Board reviews and approves, Brown & Gay anticipates the work could be completed in a couple of weeks.

The 5-year internal/external inspections on the 2 other HPTs at WP1 will be coordinated with the Operator and performed in the next few weeks.

Restroom at Water Plant No. 2

Brown & Gay prepared a schematic for constructing a new restroom/office building with shower, as well as, a site layout with the proposed location. Brown & Gay estimates construction costs at \$60,000-\$65,000. With the Board's authorization, Brown & Gay will prepare a bid package and solicit three (3) bids for construction of the building.

Drought Contingency Plan and Water Conservation Plan:

The TCEQ is requiring that all retail public water suppliers prepare and adopt an updated Drought Contingency Plan (DCP) and Water Conservation Plan (WCP) by May 1, 2014. Since the District serves more than 3,300 connections, it is required to submit the DCP to the TCEQ and submit the WCP to the TWDB. One new requirement is the completion and submittal of a Water Conservation Implementation Report with the WCP. Brown & Gay requests the Board's authorization to review the current TCEQ requirements and existing plans to determine if any revisions need to be made, and coordinate with the Operator to complete the implementation report.

KRE Ditch Maintenance Contract (Champions Hydro-Lawn):

Champions Hydro-Lawn provided a maintenance update prior to the meeting. The ditches were reported to be in good condition.

Lift Station No. 1 (Shared 132, 151, 153) Connection Counts:

Updated connection counts for each district were provided at the July 2013 meeting. We will review and update the counts on an annual basis.

Capital Improvement Plan ("CIP"):

No updates to the CIP this month.

Atascocita Joint Operations Board:

The next meeting is scheduled for January 21, 2014.

Due to time constraints, the Board deferred discussion of the Engineer's Report and agreed to have a special meeting to discuss the same.

11. **Review and authorize capacity commitment letters.** Mr. Froehlich stated that there have been no capacity commitment requests since the last meeting.

12. **Order Calling Directors Election and Related Matters.** These items were deferred until the special meeting due to time constraints.

13. **Discuss and take any action in connection with District communications.** Ms. Wynn discussed ideas for proposed articles for the next newsletter.

14. **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.

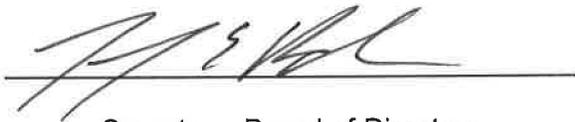
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The above and foregoing minutes were passed and approved by the Board of Directors on February 20, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

