

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 12, 2007

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

The Board of Directors of Harris County Municipal Utility District No. 136 (the "District") met in regular session, open to the public, at 4045 Deerfield Village Drive, Houston, Texas at 6:00 p.m. on July 12, 2007; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, President
Jim Hewlett, Vice President
Harry Price, Second Vice-President
Jay Singleton, Secretary
Barry Greer, Assistant Secretary

Persons Attending. All members of the Board were present. Also attending all or parts of the meeting were Ms. Cathy Falke of ECO Resources ("ECO"), operator for the District; Ms. Fran Matuska of FMatuska, Inc, bookkeeper for the District; Ms Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Robert Devillier of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District, Mr. Mike McCall, auditor for the District, and resident Steve Dornak.

Call to Order. The President called the meeting to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. Minutes. Proposed minutes of the meeting of June 14, 2007, previously distributed to the Board, were considered for review and approval. Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of June 14, 2007.

2. Comments from Residents. There were no resident comments

3. Bookkeeper's Report. The President recognized Ms. Matuska, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B."

Upon motion by Director Greer, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, and to authorize payment of check nos. 6337 through 6354 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. Amend 2007 Budget. Ms. Matuska presented a draft version of the budget, amended to add the line item “Engineer Fees-Surface Water Connection” with the amount of \$35,000.00 and changing the amount line item “Chemical Feed System” from \$0 to \$13,900.00. Upon motion by Director Price, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to amend the budget for the fiscal year 2007-2008 as stated in the draft version.

5. Approve Audit For Fiscal Year Ended March 31, 2007. Mr. McCall reviewed with the Directors the draft version of the audit and answered their questions about it. Upon motion by Director Price, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for the fiscal year 2006-2007 as worded in the draft version.

6. Review Auditor’s Management Letter. Mr. McCall reviewed with the directors the draft version of the management letter and its covering letter of explanation. A lengthy discussion ensued concerning the wording and meaning of the letters. Because the discussion did not conclude with a consensus of understanding concerning the letters, Mr. McCall agreed to submit the letters to the District’s attorney for review and to himself review the matter further.

7. Tax Assessor and Collector’s Report. The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Tax Assessor and Collector’s Report, a copy of which is attached hereto as Exhibit “C.” She reported that 99.5% of the 2005 taxes and 97.73% of 2006 taxes have been collected. She presented a list of the top delinquent tax payers, 3 of whom are in bankruptcy and 2 of whom have the Over 65 deferral. The others have been turned over to the District’s tax lawyer for collection.

Upon motion by Director Hewlett, seconded by Director Greer, 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 nos. 1106 and 1108 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

8. Operations Report. The President recognized Ms Falke, who presented to and reviewed with the Board the Operations Report and Delinquent List, copies of which are attached hereto as Exhibit “D”.

Ms. Falke reported that during the month of May the water wells were inspected during each working day to ensure proper operation and supplied 13,776,000 gallons of water through the end of the month. The 4-month water accountability is 94%.

Concerning the Monthly Water Production chart, Ms. Falke said that next month’s report will reflect the requested change in the bar graph format.

Ms. Falke noted that the chloramine injection system will be activated on Monday, July 16.

Concerning the auto service company that moved into Stacey Plaza, Ms Falke said that she had received information indicating that waste material from the operation would be

hauled off and nothing will enter the sewer system. She has requested a layout of the facility. She and Mr. Devillier will follow up on this matter

Concerning the rehabilitation of manholes, Ms. Falke asked if the Board wanted ECO to proceed with repairs, starting with those most in need of repair. After discussing the matter, the Directors agreed that ECO should proceed with repairs, the total cost of which is not to exceed \$25,000.00.

Upon motion by Director Greer, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Operations Report, make necessary repairs, and terminate service to those accounts listed on the Delinquent List.,

8. Engineers Report. The President recognized Mr. Devillier, who presented and reviewed the Engineer's Report (Exhibit "E").

Mr. Devillier stated that he will proceed with purchase of an engineered building to house the portable generator. The contractor is RMC. The purchase amount is \$23,000.00, including installation, but excluding field electrical work.

Concerning TCEQ's question about the size of the ammonia storage tank, TCEQ has requested that he submit a letter of explanation. He feels that will settle the matter.

Mr. Devillier presented a map of the District's sewer system, annotated with locations having multiple service calls. These locations may need to be televised to assess the need for further repair work. He will provide more details at next months meeting so that the Directors can better determine the extent to which televising of the sewer system will be needed and in what priority order it would be don.

9. WHCRWA Meeting Report. Director Singleton stated that he attended the WHCRWA meeting held on July 11. He said that during the meeting it was reported that the districts that have converted to surface water are, on average, using 2/3 surface water and 1/3 well water. For the first six months of 2007 the District revenue is \$1MM short of budget. All of 2005 bond money is spent. By the end of 2007 all of 2006 bond money will have been committed. Another bond sale will take place in October.

10. Newsletter Article. Director Singleton will prepare next article.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

The above and foregoing minutes were passed and approved by the Board of Directors on August 9, 2007.

President, Board of Directors

ATTEST: _____
SECRETARY, BOARD OF DIRECTORS
(DISTRICT SEAL)