

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 11, 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 October 11, 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 Mr. Mike Thornhill 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.

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 September 13, 2007, previously distributed to the Board, were considered for review and approval. Upon motion by Director Greer, 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 September 13, 2007.

2. Comments from Residents. There were no resident comments

3. Operations Report. The President recognized Mr. Thornhill, who presented to and reviewed with the Board the Operations Report and Delinquent List, copies of which are attached hereto as Exhibit "D".

Mr. Thornhill reported that during the month of September the water wells were inspected during each working day to ensure proper operation and supplied 17,712,000 gallons of water through the end of the month. The 4-month water accountability is 93%. Mr. Thornhill noted that the tour of the Jackrabbit Road treatment facility and a subsequent tour of Harris County MUD No. 136 facilities are scheduled for October 20th.

The subject of water accountability was raised. It was noted that the actual unaccounted gallonage varies between approximately one-half million and one million gallons per month. This might tend to indicate a significant leakage problem. However, if the problem is comprised of many small leakages, corrective action might be cost prohibitive. Further discussion about this matter occurred in agenda item 10.

Upon motion by Director Greer, seconded by Director Hewlett, 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.,

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

Mr. Devillier stated that the slab for the generator building is being poured this week.

Mr. Devillier noted that the value of the engineering and construction work for the chemical injection system is approximately \$55,000. This is reimbursable by WHCRWA.

Concerning the surface water line connections, Mr. Devillier noted that there is an eight foot utility easement that runs on the same path as the water line. The line will require a twenty foot easement. Various options were discussed, including the possibility of having the connecting line run through Randall's retention pond. Mr. Devillier will investigate the alternatives and report his findings next month.

Mr. Devillier raised the question of the need for well #2 after the conversion to surface water. He estimated a cost of \$50,000 to abandon it following TCEQ requirements. He will do more research into alternatives to abandonment.

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 engineer's report.

5 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." Ms. Matuska noted that year-to-date revenues are approximately \$20,000 under budget. She also noted that charges for the generator building and for the valve and manhole survey had not yet been received.

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 Bookkeeper's Report, and to authorize payment of check nos. 6397 through 6414 the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

6. Review Investment Policy, Accept Related Party Disclosures After a brief discussion and upon motion by Director Greer, seconded by Director Hewlett and the

question being put to the Board, the Board voted unanimously to adopt a resolution reviewing the investment policy and making any necessary changes.

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 99.4% of the 2005 taxes and 98.3% of 2006 taxes have been collected. Upon motion by Director Hewlett seconded by Director Price, 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. 1120 and 1122 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

8. Review and Adopt 2007 Tax Roll and Consider Tax Rate. Ms. Rodriguez stated that the Harris County Appraisal District has certified \$174.6 million in property values on the tax rolls for the District. There is another \$16.2 million that is being contested. This amount is based on the homeowners' claimed values. A discussion ensued concerning the tax rate for 2007-2008. Upon motion by Director Singleton, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to fix the tax rate at 27 cents per hundred dollars of assessed valuation, comprised of 5.5 cents for debt service and 21.5 cents for maintenance and operations.

9. Adopt Order For Calculation and Publication of Tax Rate. Upon motion by Director Singleton, seconded by Director Price, 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 2007. Ms. Rodriguez stated that the tax rate notice would be published on October 25 in the Houston Chronicle's Cy-Fair section.

10. Review SAMCO Leak Detection Proposal. Mr. Thornhill distributed copies of a proposal from SAMCO Leak Detection Co. to perform an inspection of the water lines in the district. A discussion ensued concerning the cost effectiveness of doing the survey. In response to a question concerning SAMCO's experiences with districts similar to MUD 136, Mr. Thornhill stated that he did not have that information readily at hand but would obtain it. Further action on the leak detection proposal was postponed until the November meeting.

11. Public Hearing on Taxation of Goods in Transit. Ms Rodriguez and Ms. Matuska explained the new state mandate to the Board. They noted that goods in transit are materials stored in a rented facility. Goods stored on the owner's property are taxed as inventory. Since there are no storage facilities within the District's borders, it was agreed that there is very little chance that there will be goods in transit to tax.

12. Authorize Taxation of Goods in Transit. 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 adopt a resolution Authorizing Taxation of Goods in Transit Under Section 11.253, Texas Tax Code.

13. WHCRWA Meeting Report. Director Polansky reported on the WHCRWA Meeting of October 10, 2007. It was reported that reimbursement of \$201,000.00 had been made

to MUD 10 for converting to surface water. To date 10.2% of the WHCRWA member districts have been converted to surface water. Within the next few weeks WHCRWA will be mailing a notice to the MUDs advising them of a \$0.10 fee increase, effective January 1, 2008. The new rate will be \$0.85/1000 gal.

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

15. Review Agenda Items for Next Meeting. In addition to the regular items, the agenda should have an item for reviewing the SAMCO proposal, and it should appear right after the Engineers Report.

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 November 8, 2007.

President, Board of Directors

ATTEST: _____
SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)