

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 10, 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 January 10, 2008; 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 except Director Greer. Also attending all or parts of the meeting were Mr. Mike Thornhill of Southwest Water Company (SWWC) 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, Ms. Heather De La Garza of Fulbright & Jaworski ('F&J'), attorneys for the District, Ms Kim Court of The Essential Group, insurance agent for the District, and Mr. Jerry Lavey of Harco Insurance Services.

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 regular meeting of December 13, 2007, previously distributed to the Board, were considered for review and approval. Upon motion by Director Hewlett, seconded by Director Price, after full discussion and the question being put to the Board, Directors Hewlett, Price, and Singleton voted to approve the minutes of the regular meeting of December 13, 2007. Director Polansky abstained.

2. **Comments from Residents.** There were no comments from resident taxpayers.

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.' Ms. Matuska noted that for the first 8 months of the fiscal year, the District is operating within budget. Revenues are \$50,000 less than budget, but expenses are \$70,000 less. She noted that the daily average interest rate for Texpool funds is 4.5%. The new rate for

mileage reimbursement is 50.5 cents/mile. She emphasized the need to start work on the 2008-2009 budget at the February meeting.

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 accept the Bookkeeper's Report, and to authorize payment of check nos. 6436 through 6486 the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. 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 99.6% of the 2005 taxes and 98.8% of 2006 taxes have been collected. 2007 tax collections are running behind last year, due to the delay in certification of the tax rolls and mailing of 2007 tax statements. Also, the payment from First American Mortgage has not yet been received. It represents a significant portion of the taxes due. Payment is expected shortly and will bring the amount of paid taxes close to previous years. 48.5% of taxes had been collected as of 12/31/07 and 51.3% as of 1/10/08. She noted that tax collections are down 10-15% in all of the districts she handles.

Upon motion by Director Price, seconded by Director Hewlett, 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. 1130 and 1136 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

5. Consider Property Tax Exemption. 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 an order granting a exemption of \$15,000.00 of the appraised value of residence homesteads within the District to be available for individuals who are disabled or are 65 years of age or older.

6. 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 December the water wells were inspected during each working day to ensure proper operation and supplied 14,598,000 gallons of water through the end of the month. The 4-month water accountability is 95.5%.

Concerning the sewer line survey, he stated that 8 locations had severe tree root penetration that requires immediate attention. SWWC will prepare a recommendation to be considered by the Board at the February meeting.

He said that the driveway apron at the water plant would be poured next week.

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 accept the Operations Report, make necessary repairs, and terminate service to those accounts listed on the Delinquent List.,

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

Concerning the surface water line project, Mr. Devillier stated that there are two pipelines running along the easement at the north end of Deerfield. One is an active line operated by Kinder Morgan. The other, owned by Exxon, had been decommissioned and was sold by Exxon to WHCRWA. WHCRWA will leave the empty line in place, but will not use it.

Mr. Devillier noted that WHCRWA is requesting two easements for the surface water line, one where it crosses the entrance to water well #2, and one where the line runs through the water plant property. He is still working with WHCRWA concerning the width of the easements.

Mr. Devillier discussed the results of the initial sewer televising. He pointed out that significant problems have been found, particularly in the lines constructed with clay pipe. He estimated it would cost approximately \$12,400.00 to clean out roots and debris from the most critical locations. He again recommended that engineer services on the balance of the items commence during late winter or early spring of 2008 and suggested that the cost for balance of the work (engineering and construction) be included in the 2008 fiscal year budget. He estimated the cost of this work would be \$142,350.00.

8. Review Insurance Proposals. The President recognized Mr. Lavey, who presented the proposal from Harco Insurance Services to provide an annual insurance policy for the District. After his presentation and departure, the President recognized Ms. Courte, who presented the insurance proposal from The Essential Group. After her departure, the Directors discussed among themselves and with the consultants the merits of each proposal. Upon motion by Director Price, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to accept the proposal from The Essential Group to provide insurance for calendar year 2008 at a cost of \$12,913.00.

9. Discuss May Directors Election. Ms. De La Garza reviewed with the Directors the Order Calling Directors Election, which needs to be adopted at the February meeting. She confirmed that terms of Directors Polansky and Hewlett end this coming May. The deadline for filing for a position on the ballot is March 10. The District must provide a voting machine and possibly a back up machine. She noted that F&J is recommending the use of a different voting machine than that leased by Harris County. She will provide more information concerning the lease terms. The District must also provide a Presiding Judge, Alternate Presiding Judge, and an Early Voting Clerk. Director Singleton will make some contacts to locate persons willing to serve in those positions.

9. WHCRWA Meeting Report. No activity.

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

10. Review Agenda Items for Next Meeting. The agenda will have the regular items plus "Discuss 2008 Budget" and "Adopt Order Calling Director Election", "Approve Easement Dedication At Water Well #2" and "Approve Easement Dedication At Water Plant"

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 February 14, 2008.

President, Board of Directors

ATTEST: _____
SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)