

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 14, 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 February 14, 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. Also attending all or parts of the meeting were Ms. Cathy Falke 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, Mr. Mike McCall of McCall Gibson & Co., auditors for the District, and resident Jacob Skinner.

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,"

1. Minutes. Proposed minutes of the regular meeting of January 10, 2008, previously distributed to the Board, were considered for review and approval. Upon motion by Director Singleton, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of January 10, 2008.

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." She presented and reviewed with the Directors a draft version of the 2008-2009 budget. The revenue projection is based on an average of the past three years. For the March meeting she will recalculate the projection based on an average of the past six years. The projection will not include any surface water conversion cost reimbursements from WHCRWA. The budget needs to be adopted at the March meeting.

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 Bookkeeper's Report, and to authorize payment of check nos. 6487 through 6510 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 94.4% of the 2007 taxes and 98.8% of 2006 taxes have been collected. 2007 tax collections are running ahead of this time last year, when 89.7% were collected.

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. 1137 and 1144 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

5. Consider Property Tax Exemption. Ms. De La Garza explained the provision in the Tax Code that allows the District to impose a penalty on delinquent taxes. 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 adopt a resolution authorizing a penalty on delinquent taxes.

6. 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 January the water wells were inspected during each working day to ensure proper operation and supplied 9,861,000 gallons of water through the end of the month. The 4-month water accountability is 94.8%.

She presented a listing of sewer locations that will be included in Phase 1 of the sanitary sewer rehabilitation. She also said that the driveway apron at the water plant would have been poured and that the concrete debris would be removed this week.

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.,

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 the final connection drawings will soon be submitted to TCEQ and approval should be received in April or May. He anticipates there will be more bidders for the connection work than there are for the pipeline construction. He plans to advertise for bids in July or August. In response to a question from Director Greer, he stated that it would not be advisable to have the construction work

finished too far in advance of WHCRWA's scheduled connection date (April, 2009) because the equipment could not be exercised.

8. Approve Easement Dedication for Water Well #2. 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 approve the easement dedication for Water Well #2.

9. Approve Easement Dedication for Water Plant. 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 easement dedication for Water Plant.

10. Discuss May Directors Election. Ms. De La Garza provided cost comparisons between Harris County and Diebold for providing a voting machine and possibly a back up machine. She recommends adopting the order calling directors election and authorizing her to add to the order the names of the Presiding Judge, Alternate Presiding Judge, and an Early Voting Clerk when those names are known.

11. Adopt Order Calling Directors Election. 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 adopt an Order Calling Directors Election and authorizing Ms De La Garza add to the order the names of the Presiding Judge, Alternate Presiding Judge, and an Early Voting Clerk when those names are known.

12. Adopt Resolution Adopting Prevailing Wage Rate Schedule for Construction Projects. 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 adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.

13. Engage Auditor. Mr. McCall explained past procedures for auditing the District, which included a review of the financial statements, but not the system of internal controls. The next audit will include internal controls and will cost more. He requested a budget not to exceed \$10,000.00. 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 engage McCall Gibson & Co. to audit the fiscal year ending March 31, 2008, at a cost not to exceed \$10,000.00

14. Discuss 2008-2009 Budget. Ms. Matuska reviewed with the Board by line item a draft proposal of the budget for the fiscal year ending March 31, 2009. She will provide by email the details for the engineer's budget. The budget needs to be adopted at the March meeting.

15. Discuss Cub Scout Tour of Water Plant The Board has been contacted to ask for permission to tour the MUD 136 water plant. After a brief discussion, it was agreed that Ms. Falke could move forward with setting up a tour for Cub Scout Pack.

16. Discuss Water Smart Award Requirements. Ms. Falke reviewed with the Board the AWBD requirements for receiving the Water Smart Partners award. The Board agreed to approve of participation in the Water Smart Program.

17. WHCRWA Meeting Report. Director Polansky gave a brief report on the meeting. He noted that there were no requests from districts for reimbursement of surface water conversion costs. Director Greer asked if continued attendance at these meetings would be useful. At the conclusion of a brief discussion of the matter, the Directors agreed that the District should continue to be represented at the meetings.

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

19. Review Agenda Items for Next Meeting. The agenda will have the regular items plus "Approve AWBD Water Smart Partners Program and Set Goals For Future Water Needs".

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 March 13, 2008.

President, Board of Directors

ATTEST:

SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)