

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 11, 2008

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 December 11, 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 for Director Greer.. Also attending all or parts of the meeting were Mr. Mike Thornhill of Southwest Water Company (SWWC) operator for the District; Ms. Rose Montalbano of FMatuska, Inc, bookkeeper for the District; Ms Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; and Mr. Robert Devillier of AECOM, 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,"

1. Minutes. Proposed minutes of the regular meeting of November 13, 2008, previously distributed to the Board, were considered for review and approval. 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 minutes of the regular meeting of November 13, 2008.

2. Comments from Residents. There were no comments from residents.

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

Director Price questioned the three entries from the Automated Clearing House for returned checks. Ms. Montalbano stated that it is unusual to have that many in one month. She receives very little detailed information about the checks. However, the non-payments are reflected in the customers' accounts at SWWC. Director Singleton noted that the rate order states that a fee of \$15.00 will be charged for returned checks. The Directors agreed that the charge is too low. At Director Polansky's request an item will

be put on the January meeting agenda to review the current rate order and take appropriate action.

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 accept the Bookkeeper's Report, and to authorize payment of check nos. 6713 to 6731 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. Rodriquez who presented to and reviewed with the Board the report, a copy of which is attached hereto as Exhibit "C". She reported that there were no delays in sending out tax bills this year and payments for over 9% of 2008 taxes have already being received. She stated that 98% of the 2007 taxes and 99% of 2006 taxes have been collected. She also noted that less than 10% of the tax rolls have yet to be certified. She estimated this portion to be valued at approximately \$10 million.

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 accept the Tax Assessor and Collector's Report, to authorize payment of check nos. 1185 to 1189 from the Tax Account in the amounts, and to the persons, and the purposes listed in such report.

5. 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 November the District's water wells were inspected during each working day to ensure proper operation and produced 12,527,000 gallons of water. Four-month water accountability is 94.5%.

Concerning the damaged fence along Barker Cypress, Mr. Thornhill said that SWWC is still waiting for Fencecrete Corp. to inform them of a date to start repairs.

Mr. Thornhill and Mr. Devillier discussed the results of the inspection of Hydro Tank #1 at the water plant. There is significant rust in the tank that can be handled on site by sandblasting and repainting. Further information will be provided at the January meeting.

Mr. Thornhill noted that the District's production permit has been renewed for 2009 for the same amount as 2008, 240 million gallons. He stated that it is preferable to obtain a permit for the full year, even though the conversion to surface water next summer will preclude using the full amount. In his view it is better to apply for a refund rather than to request a permit increase should our estimate of usage until conversion turn out to be insufficient.

Mr. Thornhill and Mr. Devillier discussed the results of the production test run in October. Well #2 continues to be marginal. Director Polansky raised the subject of

eventually abandoning the well. Mr. Devillier said it would involve filling the well with cement. He estimated the cost of abandonment at \$50,000.00

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

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

Concerning the change to a larger chemical storage tank than the one originally designed, the additional cost for the larger tank and its installation by lifting the building will be \$950.00.

Mr. Devillier discussed the problem of a loss of water pressure during the Thanksgiving weekend. The pumps failed to operate because the starters had been shorted out by ants. The starters were replaced. The electrical panel, although it is over 30 years old, is still in functional condition and probably will not need to be replaced, but the cost of replacement is being investigated just in case. He recommended that an ant control program be started. Mr. Thornhill will have SWWC make arrangements for it.

Concerning the water pipeline construction, Director Price noted that there are still ruts and sink holes along the construction site. After further discussion, it was agreed that a punch list covering remaining issues needs to be drawn up.

Mr. Devillier reported that flow tests of the new pump at water well #1 indicate that everything is working well. He noted that the test report appeared to indicate the absence of an airline. He will clarify this point with the installation contractor and the testing company.

7. Review WHCRWA Effective Date of Tax Rate and Adopt Notification Wording. The Directors discussed notification to residents and adopted the wording for a notice to be provided to the District's customers with their January water bills.

8. Review District Insurance. The Directors discussed the insurance renewal process. The current policy expires 01/13/09. Director Singleton will ask the District's attorney, who is handling the bidding process, to invite the bidders to make presentations at the January meeting.

9. Indemnification of Directors. Action postponed until January meeting

11. WHCRWA Meeting Report. Director Price discussed the proceedings of the meetings. He noted that water line construction cost reimbursements were approved for three districts in the amounts of \$218MM, \$347MM, and \$283MM. The assumption is that these amounts constitute 100% of the amounts requested by the districts.

12. DVCA Newsletter Article. Director Singleton will prepare next article.

13. Review Agenda Items for Next Meeting. The agenda will have the regular items as well as “Review Current Rate Order and Take Appropriate Action”, “Review Insurance Bids and Take Appropriate Action”, and “Indemnification of Directors”.

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 January 8, 2009.

Original Signed by Neil M. Polansky
President, Board of Directors

ATTEST: Original Signed by John J. “Jay” Singleton
SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)