

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 19, 2009

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 March 19, 2009; 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 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; resident Walt Bohn who represent the Deerfield Village Community Association Board of Directors (DVCA), Ms. Marian Fleming, a resident in 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".

Agenda Item 1. Minutes. Proposed minutes of the regular meeting of February 12, 2009, previously distributed to the Board, were considered for review and approval. 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 approve the minutes of the regular meeting of February 12, 2009

Agenda Item 2. Comments from Residents. There were no comments.

Agenda Item 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 noted that the December check to SWWC was never cashed. Stop payment was made and a new check issued. From the cash transactions she highlighted the payment to Arbitrage Specialists for their services. She noted that their findings showed that nothing was owed to the IRS. She also noted that the arbitrage review is normally done only every five years. She stated that the February maintenance tax transfer is not reflected in the Statement of Revenues and Expenditures.

Concerning the Jackrabbit Road Improvements, she noted that the District has not yet been billed for any capital expenditures and most likely won't in this fiscal year. She also noted that Jackrabbit Road's fiscal year ends June 30.

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. 6755 to 6780 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

Agenda Item 4. Adopt Budget for Fiscal Year 2009/2010 Ms. Matuska presented the final draft of the proposed budget for the next fiscal year. She said that the amount for legal expenses has been increased to \$17,000 to cover the increased hourly rate charged by Fulbright and Jaworski and also to cover possible legal expenses that would be incurred if the District assumes responsibility for DVCA garbage contract. She stated that the budget revenue figures are based in part on the assumption that the District will receive \$500,000 for surface conversion expenses. Director Polansky noted that during the next year the rate charge for water will increase substantially. Ms. Matuska said that the rate will increase from \$0.95/ 1000 gal. to \$1.35/ 1000 gal. and all of the revenue could be accounted for in the same budget line item. 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 adopt the Budget for Fiscal Year 2009/2010.

Agenda Item 5. Tax Assessor and Collector's Report. The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the report, a copy of which is attached hereto as Exhibit "C". She reported that 94% of the 2008 taxes and 98% of 2007 taxes have been collected. She presented a request from Ms. Marian Fleming to waive the interest and penalties on a late payment of taxes on the Walgreen property. After reviewing the request, the Directors concluded that circumstances did not justify a waiver, based on the Texas Property Tax Code Sec. 33.011.

Ms. Rodriguez presented a copy of the new aerial survey of the District. She will provide make a copy on a CD and provide it to the District's engineer who can print copies for the Directors.

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 Tax Assessor and Collector's Report, to deny the interest and penalty waiver requested by Ms. Fleming, and to authorize payment of check nos. 1201 to 1205 from the Tax Account in the amounts, and to the persons, and the purposes listed in such report and

Agenda Item 6. Engage Delinquent Tax Attorney. 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 Hal Gordon as delinquent tax attorney for the 2009-2010 fiscal year.

Agenda Item 14. Discuss DVCA Request Concerning Garbage Collection.

Mr. Bohn and the Directors discussed recent events concerning the possible transition of the DVCA garbage collection to the District, the Directors' need for more information before making a decision, and the pressing issue of time in resolving this matter. After an extended discussion, the Directors agreed to consider the matter further at a special meeting to be held before the next general meeting. It was agreed that the District's attorney should attend. Director Singleton will contact her for dates acceptable to her.

Agenda Item 7. 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 January the District's water wells were inspected during each working day to ensure proper operation and produced 11,568,000 gallons of water. Four-month water accountability slipped to 85%, due mainly to the WHCRWA contractor emptying one of the water storage tanks to gain access for preparing the surface water connection.

Director Greer noted that the cap was again off of the clean out of the Walgreen's sewer line. Mr. Thornhill said that SWWC will reinstall the cap in a more secure manner.

Director Polansky requested that SWWC provide a copy of the Deerfield Park contract for review by the Directors at the next meeting.

The Directors reviewed the request of Ms Lynne Perkins for an adjustment on her water bill. Her problem was similar to that of resident Ms. Kelli Crisp, whose meter is in the same box as Ms. Perkins'. The Directors concluded that the basis for Ms Perkins adjustment should be the same as Ms Crisp's, that is, her September bill should be revised to equal the average of the monthly amount for the 12 months of 2007.

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

Agenda Item 8. Review and Discuss Water Smart Application. sign the Water Smart application prepared by SWWC.

Agenda Item 9. Preparation of Water Conservation Plan. 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 authorize the District's consultants to proceed with preparing a water conservation plan in accordance with the requirements of the West Harris County Regional Water Authority.

Agenda Item 10. Preparation of Identity Theft Program. 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 authorize the District's consultants to proceed with preparing an identity theft program.

Agenda Item 11. Indemnification of Directors. The Directors discussed the matter. Further action postponed.

Agenda Item 12. Engineers Report. In the absence of the District's engineer, the President noted the receipt of the Engineers Report, a copy of which is attached hereto as Exhibit E.

The Directors reviewed the report submitted via email by Mr. Robert Devillier of AECOM USA, Inc. Director Singleton will communicate to Mr. Devillier the questions that arose concerning the consequences of the presence of lead in the hydro tanks and the requirements for subcontractor waivers of lien.

After a brief discussion the Directors agreed that partial payment should be made to W.W. Payton for water plant improvements.

At the April meeting Mr. Devillier will confirm what the reimbursement guidelines are and analyze what WHCRWA has been reimbursing versus what water districts are requesting.

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 accept the Engineer's report and to authorize payment to W.W. Payton in the amount of \$125,100.

Agenda Item 13. Assign Engineer Contract. 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 assign the Engineer contract to AECOM USA, Inc.

Agenda Item 15. Review Rate Order and Take Appropriate Action. Action on this item postponed until the April meeting.

Agenda Item 16. Review Consultant Contracts. Action postponed.

Agenda Item 17. WHCRWA Meeting Report. No report

Agenda Item 18. DVCA Newsletter Article. Director Singleton will prepare next article.

Agenda Item 19. Review Agenda Items for Next Meeting. The agenda will have the regular items as well as "Review Current Rate Order and Take Appropriate Action", and "Adopt Indemnification of Directors", "Review Water Conservation Plan and Take Appropriate Action", "Review Identity Theft Program and Take Appropriate Action".

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 April 9, 2009.

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

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

(DISTRICT SEAL)