

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 11, 2010

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 11, 2010; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, President
James S. Hewlett, Vice President
Harry L. Price, Second Vice President
Jay Singleton, Secretary
Barry Greer, Assistant Secretary

Persons Attending. All members of the Board were present, except Directors Hewlett and Singleton. 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 F. Matuska, Inc., bookkeeper for the District; Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Bob Wempe of AECOM, Inc. ("AECOM"), engineer for the District; Mr. Chris Swedlund of McCall Gibson Swedlund Barfoot, P.L.L.C. ("McCall"), auditor for the District; Mr. Steve Dornak, resident of the District; and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), paralegal 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 January 14, 2010, previously distributed to the Board, were considered for review and approval. 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 approve the minutes of the meeting of January 14, 2010, as presented.

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

3. **Engage Auditor for fiscal year ending March 31, 2010.** The President recognized Mr. Swedlund, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending March 31, 2010, a copy of which is attached hereto as Exhibit "B." Mr. Swedlund presented to the Board a letter and questionnaire regarding the Statement of Auditing Standard No. 99. Mr. Swedlund reported that the directors are an integral part of fraud reporting and requested the directors contact him with any concerns they have. Mr. Swedlund requested that the Board consider engaging the services of McCall to prepare the

District's annual audit for fiscal year ending March 31, 2010, at an estimated cost of \$10,000 to \$12,000.

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 engage the services of McCall to prepare the District's audit for fiscal year ending March 31, 2010, and to authorize the execution of the engagement letter.

4. **Review Bookkeeper's Report and authorize payment of bills.** Ms. Matuska presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C." Ms. Matuska stated that there are two checks to W. W. Payton for the Pay Estimate #5 and Final.

Ms. Matuska reported receipt of a February invoice from Texas Trash and requested direction by the Board. She noted that the invoice was dated February 25, 2010 and provided 30 days for payment. It was the consensus of the Board to pay the invoice at the March Board meeting. Ms. Matuska stated that she would notify Texas Trash of the Board's decision.

Ms. Rodriguez asked if there were sufficient Debt Service Funds to pay the District's March 1, 2010 debt payment and bond redemption. Ms. Deitrick reported that the District's bonds would be redeemed on April 1, 2010 because a thirty day notification period is required for the bond redemption. Ms. Matuska stated that an additional \$10,000 would be needed for the bond redemption. Ms. Rodriguez stated that she would transfer an additional \$10,000 to the District's Debt Service Fund.

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 Bookkeeper's Report, and to authorize payment of check nos. 7069 through 7096 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

5. **Adopt Budget for fiscal year ending March 31, 2011.** Ms. Matuska presented to and reviewed with the Board the draft budget for the fiscal year ending March 31, 2011, a copy of which is attached to the Bookkeeper's Report. Ms. Matuska requested consultant input on the draft budget. Ms. Matuska reviewed the assumptions used in preparation of the draft budget. Ms. Matuska reported that \$1.55 per 1,000 gallons was used for the West Harris County Regional Water Authority fee. Ms. Matuska reported that she used the current maintenance tax rate of \$0.215. No action was taken on this item.

6. **Review Tax Assessor and Collector's Report and authorize payment of bills.** 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 "D." Ms. Rodriguez reported that the District has collected 93% of its 2009 taxes. Ms. Rodriguez reported that the delinquent tax statements would be sent soon.

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 approve the Tax

Assessor and Collector's Report, and to authorize payment of check nos. 1256 through 1259 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

7. Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts. 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 "E."

Ms. Falke reported that during the month of January, the District's water wells produced 917,000 gallons of water and 7,585,000 gallons were purchased from the West Harris County Regional Water Authority ("WHCRWA").

Ms. Falke reported that the doors have been installed at the Water Plant #1 control building. She reported that the barbed wire fence around water well #2 has been replaced.

Ms. Falke reported that the sanitary sewer lines at 3920 Heathersage and 18230 Knotty Green were televised. She reported that the sanitary sewer line at 18230 Knotty Green was repaired.

Ms. Falke reported that SWWC is performing the annual manhole survey.

In response to a question, Ms. Falke reported that Mr. Curtin's sanitary sewer line replacement was not related to the District's work. She reported that Mr. Curtin's entire sanitary sewer line, from the Y to his home, was replaced.

Mr. Wempe reported that the WHCRWA received a resident complaint that the District's water smelled like mud. Director Greer reported that the District's water does have an odor since converting to surface water.

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

8. Discuss and approve District's Water Smart Application. Ms. Falke reviewed the Water Smart Application with the Board. The Board discussed continuing customer water conservation education and continued methods to reduce water usage in the District. It was the consensus of the Board to pursue the goals detailed by the District engineer in the Water Smart Application. The President reported that the Board is considering rewards for converting to low water flow toilets. Director Price stated that irrigation systems with timers reduce water usage.

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 approve the Water Smart Application.

9. Approve Emergency Preparedness Plan and authorize filing with the TCEQ. The President recognized Ms. Falke, who presented to and reviewed with the Board the

District's Emergency Preparedness Plan ("EPP"), a copy of which is attached hereto as Exhibit "F." Ms. Falke stated that the interconnect with the WHCRWA will be added to the EPP. She reported that the EPP must be submitted to the Texas Commission on Environmental Quality ("TCEQ") by March 1, 2010.

Ms. Falke reported that the WHCRWA has requested completion of a Water Usage Report and requested Board authorization for the President to sign the Water Usage Report.

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 approve the EPP, to authorize filing of the EPP with the TCEQ, and to authorize the President to execute the Water Usage Report for the WHCRWA.

10. Approve Resolution authorizing redemption of outstanding bonds. The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Resolution Approving Redemption of Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1998 ("Resolution"), a copy of which is attached hereto as Exhibit "G." Ms. Deitrick stated that if the Board approves the redemption of the outstanding maturities of the Series 1998 Bonds, the Resolution would be provided to the Series 1998 Bonds paying agent to coordinate the redemption. Ms. Deitrick explained that the Incumbency Certificate demonstrates to the paying agent that the President is authorized to provide direction to the Series 1998 paying agent.

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 approve the Resolution.

11. Engineer's Report and take appropriate action on engineer's recommendations. The President recognized Mr. Wempe, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H."

Mr. Wempe reported on the Surface Water Connection. Mr. Wempe recommended payment of Pay Estimate No. 5 and Final from W. W. Payton in the amount of \$23,547.50. He reported that the payment would be held until the final documentation was provided from W. W. Payton. Mr. Wempe requested Board approval of Change Order No. 2 in the amount of \$2,800 for the reconstruction of the overflow structure. He requested Board approval of Change Order No. 3 in the amount of \$400 for the interior weld and touch up work associated with the overflow structure. He reported that the final amount for the project is \$410,150, not including engineering costs. Mr. Wempe stated that AECOM will submit the reimbursement package to the WHCRWA next week for the conversion to surface water expenditures. Mr. Wempe reported that the chemical feed replacement performed by SWWC a few years ago may be eligible for reimbursement by the WHCRWA and will be included in the reimbursement submittal. The Board discussed the WHCRWA reimbursement decision process and previous costs that have been denied by the WHCRWA.

Mr. Wempe reported that Sander Engineering has begun design of the Jackrabbit Wastewater Treatment Plant Improvements. He stated that design and construction are expected to take eight months.

Mr. Wempe reported on the hydropneumatic tank painting. Mr. Wempe requested Board approval of Change Order No. 1 in the amount of \$4,600 for the repainting of the booster pumps and piping not included in the original bid. He reported that the contractor has been delayed due to weather but is expected to complete the work within thirty days.

Mr. Wempe presented to and reviewed with the Board the Assignment of Professional Engineering Services Contract (“Assignment”), a copy of which is attached hereto as Exhibit “I.” He reported that the Assignment assigns the Contract for Professional Services with Turner Collie & Braden, Inc. to AECOM USA Group, Inc., an affiliated company, and will not involve any personnel changes.

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 approve the Engineer’s Report, to approve payment of Pay Estimate No. 5 and Final from W. W. Payton in the amount of \$23,547.50 for the Surface Water Conversion with the check being held until the contractor provides the final documentation, to approve Change Order No. 2 in the amount of \$2,800 for the reconstruction of the overflow structure, to approve Change Order No. 3 in the amount of \$400 for the interior weld and touch up work associated with the overflow structure, to approve Change Order No. 1 in the amount of \$4,600 for the repainting of the booster pumps and piping as part of the hydropneumatic tank painting, and to approve the Assignment of Professional Engineering Services Contract to AECOM USA Group, Inc.

12. Approve legal entity change from AECOM USA Group, Inc. to AECOM Technical Services, Inc. and take appropriate action. This item was covered under the Engineer’s Report.

13. Review Change Order No. 1 for hydropneumatic tank painting with Universal Coatings and take appropriate action. This item was covered under the Engineer’s Report.

14. Approve Change Order No. 2 for surface water plant conversion project with WW Payton and take appropriate action. This item was covered under the Engineer’s Report.

15. Discuss trash collection operations and take appropriate action. The President recognized Mr. Dornak, who reported that some residents want more recycling containers. The President reported that residents can pay \$8 for an additional recycling container or place a Texas Trash sticker on a regular garbage container to use for recycling. He stated that this information would be placed on the District web site for the residents.

16. Review Rate Order and take appropriate action. No action was taken on this item.

17. **Review Drought Contingency Plan and take appropriate action.** No action was taken on this item.

18. **Discuss graffiti control and take appropriate action.** This item was deferred.

19. **Discuss Community Notification Strategies and take appropriate action.** Director Price stated that he would continue to investigate cost effective methods of notification options.

20. **Discuss selling water conservation credits and take appropriate action.** The President reported that the WHCRWA was purchasing Water Conservation A Groundwater Credits for \$2.25 per 1,000 gallons and Water Conservation B Groundwater Credits for \$1.75 per 1,000 gallons. 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 authorize SWWC to coordinate the sale of the District's Water Conservation Groundwater Credits to the WHCRWA.

21. **Report on WHCRWA monthly meeting.** The President reported that Mr. Murphy, a horse farm owner, complained of the damage to his property by the WHCRWA construction for surface water lines. He reported that Mr. Murphy's property has sinkholes and was not re-sodded after construction.

The President reported that Harris County Municipal Utility District No. 183 requested partial reimbursement for a meter clogged by construction debris that read incorrectly.

The President reported that a three year electricity contract was recommended to the Board.

The President reported that Bruce Parker is the President of the WHCRWA.

22. **Article for DVCA Newsletter.** The President asked if a Director wanted to compose the Deerfield Village Community Association Newsletter article. It was the consensus of the Board that the President was doing an excellent job composing the Deerfield Village Community Association Newsletter articles.

23. **Adopt Order Calling Directors Election.** The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Order Calling the Directors Election, a copy of which is attached hereto as Exhibit "J." Ms. Deitrick reported that the election is scheduled for May 8, 2010.

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 approve the Order Calling Directors Election.

24. **Election of officers.** This item was deferred.

25. **Discuss incentives for conversion to low flow toilets and take appropriate action.** This item was deferred.

26. **Review agenda items for next meeting.** The Board discussed items to be addressed at the next Board meeting.

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 11, 2010.

Original Signed by Neil M Polansky

President, Board of Directors

ATTEST:

Original Signed by John J Singleton

Secretary, Board of Directors

(DISTRICT SEAL)