

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 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 March 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. 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. Parks Cobb of SYR Solutions; Mr. Eric Toureilles, President of Deerfield Village Community Association Board of Directors; 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 February 11, 2010, previously distributed to the Board, were considered for review and approval. Director Greer stated that under the Water Smart Application, the President discussed rewards for conversion to low flow toilets and that Director Price had stated that irrigation systems with timers reduce water usage. 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 approve the minutes of the meeting of February 11, 2010, as revised.

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

3. **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 "B." Ms. Matuska noted that check no. 7106 is for the District's share of the Jackrabbit Wastewater Treatment Plant Capital Improvements, Phase IV design engineering costs.

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. 7097 through 7112 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. **Adopt Budget for fiscal year ending March 31, 2011.** Ms. Matuska presented to and reviewed with the Board the proposed budget for the fiscal year ending March 31, 2011, a copy of which is attached to the Bookkeeper's Report. Mr. Wempe reported that the West Harris County Regional Water Authority ("WHCRWA") expects to make a recommendation on the District's request for Surface Water Conversion reimbursement at the April board meeting. He stated that once approved, the WHCRWA will send the District a document for Board signature and the WHCRWA will pay the reimbursement upon receipt of the signed document. Mr. Wempe stated that the \$125,000 reimbursement limit on disinfection modification costs seems low. The President stated that it would be optimal for the Board to attend the WHCRWA April meeting to be available to object to any reduction in the reimbursement amount.

The President requested that the "Jackrabbit WWTP Improvements" include the phrase "including engineering."

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 proposed budget for fiscal year ending March 31, 2011.

5. **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 "C." Ms. Rodriguez reported that the District has collected 95% of its 2009 taxes.

Ms. Rodriguez presented to and reviewed with the Board the Top Delinquent Taxpayers, a copy of which is attached hereto as Exhibit "D." Ms. Rodriguez noted that Ms. Archibald, on the Delinquent List, called and emailed a request for waiver of penalty and interest, a copy of which is attached hereto as Exhibit "E." Ms. Rodriguez reported that the tax statement was mailed in October and that the delinquent tax statement was mailed in February. She reported that the resident never missed a prior tax payment. The President stated that he spoke with the resident, who was unable to attend the Board meeting. The Board discussed the resident's disability and how that may have been a factor in missing the original tax statement. Ms. Deitrick stated that the District is not permitted to waive the delinquent penalty for errors caused by the taxpayer under Texas law.

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 approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1260 through 1263 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

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 approve waiver of the \$25.99 penalty and interest for Ms. Archibald.

6. **Authorize Hal Gordon to enforce the collection of delinquent 2009 taxes.** The President recognized Ms. Deitrick, who reported that the District's current delinquent tax attorney, Hal Gordon, currently has an evergreen contract with the District that will automatically renew unless cancelled by the District. No action was taken on this item.

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 "F."

Ms. Falke reported that 7,347,000 gallons were purchased from the WHCRWA during the month of February.

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

Ms. Falke reported that SWWC will be performing preventative maintenance at Water Plant #1. She reported that SWWC will perform the annual cleaning of the Master Control Center at Water Plants #1 and #2.

Ms. Falke reported that Samco Leak Detection Services mistakenly serviced a section in the District, which SWWC will follow-up on.

Ms. Falke reviewed the water distribution repairs performed by SWWC. She reported that SWWC jetted clear a sanitary sewer line blockage on Mountfield Drive.

Ms. Falke reported that SWWC will clean lift stations #1 and #2. She stated that SWWC will perform the preventative maintenance of the lift station #1 and #2 portable generators.

Director Singleton reported that he has obtained documentation that demonstrates that Randall's owns the fence with the graffiti. He reported that Randall's has not responded to his request for the graffiti to be painted over. The Board discussed options to manage removal of the graffiti. Director Hewlett noted that the graffiti is not related to water or security of the District's facilities, such as prior fence issues. The Board requested that Director Singleton pursue removal of the graffiti further with Randall's management.

Director Hewlett asked if SWWC has considered converting to electronic water meters. Ms. Falke stated that it is more difficult for established utility districts to convert to electronic water meters and that SWWC has a few developing utility districts that use the electronic water meters. Director Hewlett reported that the speaker at the Association of Water Board Directors conference reported that it takes ten years to pay for the cost of an electronic water meter in labor cost savings. The Board discussed the life expectancy of the electronic

water meters versus the period to pay for the cost of the meter. Ms. Falke stated that she could provide a water usage report for the District. Director Hewlett reported on information presented at the conference on using tiered water rates to minimize water costs for low volume water customers, such as senior citizens.

Ms. Falke presented to and reviewed with the Board the proposal for Sanitary Sewer System Point Repairs, Phase Two, a copy of which is attached hereto as Exhibit "G." Ms. Falke stated that the thirty point repairs would be invoiced individually. She stated that Ms. Matuska would track the point repair costs separately for the Board.

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 accept the Operations Report, to make necessary repairs, to terminate service to those accounts listed on the Delinquent List, and to approve the SWWC proposal for Sanitary Sewer System Point Repairs, Phase Two.

8. Review Southwest Water Company proposal for Phase 2 collection system repairs and take appropriate action. This item was covered under the Operations Report.

9. 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 Jackrabbit Wastewater Treatment Plant Improvements. He reported that construction is expected to begin in 2011.

Mr. Wempe reported on the hydropneumatic tank painting. Mr. Wempe reported that the second hydropneumatic tank is expected to be painted next week, which will complete the project.

Mr. Wempe reported that Mr. Bernard Murphy contacted him regarding the District possibly providing sanitary sewer service to his property at 5106 Windsong Trail, at the northeast corner of Windsong Trail and French Road. He reported that the property is outside of the District but that the District does provide water service to the property. Mr. Wempe reviewed the issues that would make sanitary service to the property difficult and expensive. The Board asked that Mr. Wempe inform Mr. Murphy of the obstacles of providing sanitary service to the property and other options that may be more cost effective. The Board requested that Mr. Wempe inform Mr. Murphy that an engineer would need to be retained by him to pursue the option further.

10. Discuss electricity supply contract and take appropriate action. The President recognized Mr. Cobb, who presented to and reviewed with the Board the Electricity Contract Renewal, a copy of which is attached hereto as Exhibit "I." Mr. Cobb reviewed the quotes from Suez, Direct Energy, Champion, Tri-Eagle and Hudson Energy. Mr. Cobb reported that the price quote may change in the morning when he goes to finalize the contract with the provider. Mr. Cobb presented to the Board the Retail Energy Service Agreement with Hudson Energy, a copy of which is attached hereto as Exhibit "J." 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 Retail Energy Service Agreement with Hudson Energy for a three year term, and to authorize the President to review and approve any price change that may occur the next day.

11. **Review request from HC MUD No. 183 regarding interconnect agreement and take appropriate action.** Ms. Deitrick reviewed with the Board the letter by Harris County Municipal Utility District No. 183 ("MUD 183"), a copy of which is attached hereto as Exhibit "K." She reported that MUD 183 has requested the District pay one-half of the repair costs for the interconnect meter shared between MUD 183 and the District, which totaled \$1,193.00. Ms. Deitrick reported that MUD 183 also requested the Board authorize the preparation of a Third Amendment to the Emergency Water Supply Contract to provide for the equal sharing of future repair and replacement costs for the interconnect meter and valve. 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 payment of one-half of the \$1,193.00 interconnect meter repair costs and to authorize the preparation of the Third Amendment to the Emergency Water Supply Contract with MUD 183.

12. **Discuss Deerfield Village Patio Homes emergency point repairs, appoint subcommittee and take appropriate action.** The Board discussed possible options for identifying the Deerfield Village Community Association ("DVCA") electrical lines in the Deerfield Village Patio Homes section in order to perform emergency point repairs. Ms. Falke stated that it would be difficult for SWWC to have different procedures for management of emergency repairs for different sections in the District. Ms. Falke stated that she would research the costs to participate in the Lone Star locating service.

13. **Discuss trash collection operations and take appropriate action.** The Board discussed hearing compliments by District residents on the new trash service.

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

15. **Review Drought Contingency Plan and take appropriate action.** Director Hewlett stated that he would provide the proposed revised Drought Contingency Plan.

16. **Discuss graffiti control and take appropriate action.** This item was covered under the Operations Report.

17. **Discuss Community Notification Strategies and take appropriate action.** Director Price stated that the DVCA may be interested in participating in TechRadium's Immediate Response Information System ("IRIS"). It was the consensus of the Board to arrange an IRIS presentation for the DVCA Board of Directors.

18. **Update on selling water conservation credits and take appropriate action.** Ms. Deitrick reported that the WHCRWA was offering \$0.39 per 1,000 gallons for water conservation credits. Ms. Deitrick reported that she is coordinating a sale of 200,000 gallons at a price of \$1.75 per 1,000 gallons. Ms. Deitrick stated that she will notify the Houston Galveston Area Council that the District has additional water conservation credits it wishes to sell.

19. **Review Premier Election Solutions, Inc. Rental Contract and take appropriate action.** Ms. Deitrick presented to and reviewed with the Board the voting machine rental agreement with Premier Election Solutions, Inc. ("Rental Agreement"), a copy of which is attached hereto as Exhibit "L." Ms. Deitrick stated that thus far the District has received the same number of applications to be on the ballot as expiring terms, which would make the Directors Election unnecessary. She stated that the Rental Agreement is just in case additional applications to be on the ballot are received for the Directors Election. 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 approve the Rental Agreement to be held by F&J until it is deemed necessary to hold the Directors Election.

20. **Election of officers.** No action was taken on this item.

21. **Report on WHCRWA monthly meeting.** No action was taken on this item.

22. **Article for DVCA Newsletter.** The President asked if a Director wanted to compose the Deerfield Village Community Association Newsletter article. Director Singleton stated that he would compose the Deerfield Village Community Association Newsletter article.

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

24. **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.

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The above and foregoing minutes were passed and approved by the Board of Directors on April 8, 2010.

President, Board of Directors

ATTEST:

Original Signed by John J Singleton
Secretary, Board of Directors

(DISTRICT NO. 136)

