

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 8, 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 April 8, 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. Eric Toureilles, President of Deerfield Village Community Association Board of Directors; Mr. Joe Andress and Mr. Rick Benson of Texas Trash; Ms. Gloria Johnson and Mr. Graham Johnson, District residents; 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 March 11, 2010, previously distributed to the Board, were considered for review and approval. Upon motion by Director Price, 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 meeting of March 11, 2010, as presented.

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."

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. 7115 through 7136 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. **Review Arbitrage Compliance Specialists engagement letter for the Final Report on Series 1998 Bonds and take appropriate action.** Ms. Deitrick presented to and reviewed with the Board the Engagement Letter from Arbitrage Compliance Specialists, Inc. for the Final Arbitrage Rebate Report for the District's Series 1998 Bonds, a copy of which is attached hereto as Exhibit "C."

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 execute the Engagement Letter authorizing Arbitrage Compliance Specialists, Inc. to prepare the Final Arbitrage Rebate Report for the Series 1998 Bonds.

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 "D." Ms. Rodriguez reported that the District has collected 97% of its 2009 taxes. Ms. Rodriguez reported that the Key Equipment Finance check was lost in processing. She stated that a letter has been sent to the taxpayer to stop payment on the check and to replace the check.

Ms. Rodriguez reported that delinquent tax statements will be distributed in May, including information regarding the 20% penalty that begins July 1, 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 Tax Assessor and Collector's Report, and to authorize payment of check nos. 1264 through 1278 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

6. **Agreements necessary to provide electronic payment of taxes.** The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Sage Payment Solutions Virtual Check Merchant Processing Application, the Addendum to Merchant Processing Agreement with ServiceU Corporation and Sage Payment Solutions, and the First Addendum to Agreement for Services of Tax Assessor and Collector with Bob Leared Interests, copies of which are attached hereto as Exhibits "E," "F," and "G," respectively. Ms. Deitrick stated that new legislation requires tax assessor-collectors to accept credit card and virtual check payments for taxes. She stated that the Addendum to Merchant Processing Agreement with ServiceU Corporation and Sage Payment Solutions prohibits Sage Payment Solutions from taking tax payments to pay for fees. Ms. Deitrick stated that the First Addendum to Agreement for Services of Tax Assessor and Collector with Bob Leared Interests states that Bob Leared Interests will be responsible for all activities related to the tax payment processing and indemnifies the District from liability. She stated that the customer pays the \$5.00 processing fee.

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 Sage Payment Solutions Virtual Check Merchant Processing Application, the Addendum to Merchant

Processing Agreement with ServiceU Corporation and Sage Payment Solutions, and the First Addendum to Agreement for Services of Tax Assessor and Collector with Bob Leared Interests.

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, a copy of which is attached hereto as Exhibit “H.”

Ms. Falke reported that 9,534,000 gallons of water were purchased from the WHCRWA during the month of March.

Ms. Falke reported on Water Production. She reported that SWWC performed preventative maintenance on the water well #2 motor and on the polyphosphate equipment, chlorine detector and booster pump motors at Water Plant #1. Ms. Falke reported that booster pump #4 was pulled for repairs.

Ms. Falke reported that SWWC replaced four water meters registering over one million gallons of usage. She reported that SWWC is repairing the water main line at 18027 Winsford Drive.

Ms. Falke presented to and reviewed with the Board the Annual Red Flag Compliance Report a copy of which is included in the Operations Report.

Ms. Falke presented to and reviewed with the Board the Usage Analysis Report, a copy of which is attached hereto as Exhibit “I.”

Ms. Falke presented to and reviewed with the Board the draft Consumer Confidence Report, a copy of which is attached hereto as Exhibit “J.”

Ms. Falke reported that electronic water meters would cost approximately \$150 per meter plus time and labor to install in the District. She stated that the District has 1,083 water meters. Ms. Falke estimated that the meter reading cost savings would be approximately \$0.50 per meter per month.

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

8. 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 with no as-built plans for that section. Ms. Falke stated that it would be difficult for SWWC to have different procedures for management of emergency repairs in different sections in the District. Ms. Falke stated that Lone Star confirmed that the DVCA could join the utility line locating service. Mr. Toureilles stated that he would contact Lone Star to discuss pricing. He stated that a notification tree could be utilized to ensure that someone from the DVCA was notified of the

need to manage a repair in the patio home section. Ms. Falke stated that if it is an emergency repair, SWWC will begin digging after two hours, otherwise SWWC can wait up to 48 hours to begin excavation.

The President noted that the extent of repair is also an issue, as the District has been criticized for only replacing the existing equipment and not improving upon it with the addition of a conduit where previously not installed.

9. **Engineer's Report and take appropriate action on engineer's recommendations.** Mr. Wempe presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "K." Mr. Wempe reported that the West Harris County Regional Water Authority ("WHCRWA") Design Committee has limited the Chloramines Disinfection System Facilities & Equipment reimbursement to \$125,000 pursuant to the WHCRWA Rate Order. He stated that the WHCRWA Design Committee also disallowed the Design of Trench Excavation and Shoring Safety Plan expense of \$460 because the Design Committee determined that it was an engineering cost, not construction. Mr. Wempe stated that the WHCRWA limits engineering reimbursement to 25% of total construction cost approved for reimbursement, not total construction cost submitted for reimbursement. He reported that the Design Committee approved \$81,685 engineering reimbursement instead of the \$93,425 requested. The Board requested that Mr. Wempe request a list of prior reimbursements, including the amounts requested and approved for the Chloramines Disinfection System.

Mr. Wempe reported that the Jackrabbit Wastewater Treatment Plant Improvements design is underway.

Mr. Wempe reported that the hydropneumatic tank painting is complete.

10. **Discuss survey for water plant access road fence and take appropriate action.** The President recognized Mr. Wempe, who presented to and reviewed with the Board the Water Plant Access Road Fence Survey. Mr. Wempe reported that the four inch thick fence is on Randall's property by approximately one foot towards Spellbrook and on Randall's property by approximately two feet near Clay Road. He stated that there is one location where there is a deflection point in the fence and at that point, the District side of the fence is on the property line but on either side of it, the fence begins to move back onto Randall's property. Mr. Tourelles stated that the DVCA supports all District efforts in having Randall's paint over the graffiti on the fence. He stated that bushes should be planted in front of the fence to deter future graffiti on the fence. The President stated that he would send the survey to Randall's and request a timely response. The Board discussed having F&J send a letter to Randall's if a response was not forthcoming.

11. **Discuss graffiti control and take appropriate action.** This item was covered item #10.

12. **Review Third Amendment to the Emergency Water Supply contract with HC MUD No. 183 and take appropriate action.** This item was deferred.

13. **Review Drought Contingency Plan and take appropriate action.** The Board reviewed the Revised Drought Contingency Plan, a copy of which is attached hereto as

Exhibit “L.” 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 Revised Drought Contingency Plan.

14. **Cancel Election and Adopt Order Declaring Unopposed Candidates Elected to Office.** Ms. Deitrick stated that all candidates were unopposed and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit “M.” 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 such Order, thereby canceling the 2010 Directors Election and declaring the unopposed candidates, Directors Price, Greer and Singleton, elected to office.

15. **Update on selling water conservation credits and take appropriate action.** Ms. Deitrick reported that the District is on the Houston Galveston Area Council water conservation credit seller list.

16. **Discuss trash collection operations and take appropriate action.** Director Price reported that a resident complained of frequent late collections. Mr. Andress reported that Texas Trash had only one late collection because of excess yard debris. Mr. Andress stated that the District usually produces two truckloads of trash per collection; however, four truckloads were collected on the day of excess debris. He stated that it is difficult to enforce the bag limit when the resident is in front of the truck pointing to the trash bag. The Board stated that there have been no other complaints since Texas Trash began servicing the District.

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

18. **Discuss Community Notification Strategies and take appropriate action.** Director Price stated that he discussed participating in TechRadium’s Immediate Response Information System (“IRIS”) with the DVCA Community Services subcommittee. He reported that the subcommittee decided that TechRadium should give the IRIS presentation at the next DVCA meeting. The Board discussed the need for the DVCA to designate a point person for the notification system, if they participate with the District. It was the consensus of the Board to arrange an IRIS presentation for the next District Board meeting.

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

20. **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.

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

22. **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 May 13, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)