

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 12, 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 August 12, 2010; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, President
Barry Greer, Vice President
Harry L. Price, Second Vice President
Jay Singleton, Secretary
Brent Phelps, Assistant Secretary

Persons Attending. All members of the Board were present. Also attending all or parts of the meeting were Ms. Cathy Falke, Mr. Andrew Hunt and Mr. Jason Demel of SouthWest Water Company ("SWWC"), operators 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 Technical Services, Inc. ("AECOM"), engineer for 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 July 8, 2010, previously distributed to the Board, were considered for review and approval. Upon motion by Director Phelps, 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 July 8, 2010, as presented.
2. **Comments from Residents.** There were no resident comments.
3. **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 "B."

Ms. Falke reported that 11,901,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") during the month of July and 285,000 gallons of water were produced at Water Plant No. 1. Ms. Falke reported that the four

month water accountability is 119%. She reported that the accountability is high because the WHCRWA meter is under-registering. Director Phelps asked if the District should create a reserve fund for any possible future adjustment bill from the WHCRWA for this under-registering meter. Ms. Falke stated that the District is billing the residents the WHCRWA fee for water provided to them. Ms. Matuska stated that she would discuss the matter with the District auditor.

Ms. Falke reviewed the maintenance and repairs performed by SWWC. She reported that a broken window was replaced at the Water Plant No. 1 control building. Ms. Falke reported that SWWC performed preventative maintenance on the Water Plant No. 1 chlorinator. Ms. Falke reported that fire hydrant repairs were performed. She reported that four meters registering over one million gallons were replaced. Ms. Falke reported that SWWC continues the sanitary system phase 2 point repairs. She reported that SWWC excavated and repaired the water main at Deerfield Village and Heathersage. Ms. Falke reported that she is assisting Mr. Wempe with the Harris County pavement repair permit for this location. Mr. Wempe reported that Harris County requires re-paving from keyway to keyway and that additional pavement will need to be removed for such paving.

Ms. Falke confirmed that the water plant generator is cycled weekly, exercised monthly and load-tested annually. She reported that the water plant generator general maintenance is performed twice a year.

The President reported that there are blue spray paint markings at Longcliffe and Hollywell and asked what the project was. Ms. Falke stated that she would investigate the project.

Ms. Falke presented to and reviewed with the Board the Valve and Sanitary Manhole Survey, a copy of which is attached hereto as Exhibit "C." The Board discussed updating the District Director Reference Books. Mr. Wempe stated that the books could be updated at a cost of approximately \$500. Director Phelps reported that SWWC previously could not locate the manhole in his yard prior to this year. Ms. Falke stated that she would research the history of the manhole location in his yard on prior surveys.

Ms. Falke presented to and reviewed with the Board the SWWC billing manager email regarding providing customer data to Tech Radium, a copy of which is attached hereto as Exhibit "D." Ms. Falke reported that Tech Radium has not requested District data from SWWC and yet continues to bill the District for service. Ms. Falke presented to and reviewed the sample Tech Radium letter to customers to gather customer data, a copy of which is attached hereto as Exhibit "E." Director Price stated that he would contact Ms. Ley at Tech Radium regarding changing the start date of the contract for the three months paid with no service provided.

The President stated that a few residents have reported that the water has a rotten egg odor. He reported that one resident noted that the odor is associated with his hot water, which may be related to his water heater. Ms. Falke stated that she will have SWWC flush the District lines.

Director Greer reported that Mr. Roberts reported to him that he has contacted SWWC regarding a water meter over-registering. He reported that Mr. Roberts' meter showed water usage of 9,000 gallons when he usually has 3,000 gallons per month. Director Greer reported that Mr. Roberts wants his water meter calibrated. Ms. Falke stated that she would contact the resident regarding his water meter.

The President reported that Harris County Municipal Utility District No. 155 requested monthly water testing for atrazine and simazine at the WHCRWA meeting, which was denied by WHCRWA. Ms. Falke stated that these are not usual water testing parameters. The President requested that Ms. Falke research the reason for the request for such testing so the Board may discern whether the District should also be testing for such parameters.

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.

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 "F." Ms. Matuska reviewed the Quarterly Investment Report, included in the Bookkeeper's Report.

Mr. Wempe reported that the WHCRWA does not require additional action by the District regarding reimbursement for the conversion to surface water costs. Mr. Wempe reported that he expects the WHCRWA to proceed with the reimbursement within the next couple of months. He reported that the WHCRWA will review the District plans and information a second time for the chloramine costs prior to reimbursement.

The President reported that the Deerfield Village Community Association ("DVCA") requires a payment of \$106.80 for distribution of the SWWC magnets.

Upon motion by Director Phelps, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 7210 through 7229 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report, and to approve the Quarterly Investment Report and the payment to DVCA in the amount of \$106.80 for the SWWC magnet distribution.

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 "G." Ms. Rodriguez reported that the District has collected 99% of its 2009 taxes.

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. 1291 through 1293 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

6. **Review Status Report on Subcommittee Recommendations on Water Rates, Review Rate Order and take appropriate action.** Director Phelps presented to and reviewed with the Board the Rate Order Review, a copy of which is attached hereto as Exhibit "H." Director Phelps reviewed the current Rate Order water service tiers and proposed tiers to encourage water conservation with neutral impact on water revenues. Director Phelps recommended no change in the Rate Order because the small change in the water bill would not change customer water usage. The Board discussed the WHCRWA rate increase that will occur on January 1, 2011. The President suggested a possible 10% surcharge on water service charges, including the WHCRWA fee, during June, July and August for water usage above 25,000 or 30,000 gallons. He stated that the revenue collected from the surcharge could be dedicated to water conservation. The Board requested that calculations be performed on the impact of such surcharge. Director Phelps agreed to do the calculation and report the impact at the September meeting.

7. **Discuss Deerfield Village Patio Homes emergency point repairs, appoint subcommittee and take appropriate action.** The President stated that the DVCA is joining the Lone Star Notification Center.

8. **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 "I."

Mr. Wempe reported on the Jackrabbit Wastewater Treatment Plant Improvements. He reported that Sander Engineering sent a notice that there may be a substantial change in the design as construction of a new lift station is now being considered. He reported that Sander Engineering will provide a cost estimate once complete. The Board discussed whether the Jackrabbit Road Public Utility District had the authority to suddenly change a capital improvement project. Mr. Wempe stated that he would research the background for such an undertaking.

Mr. Wempe reported that the District may either cap or plug water well no. 2. He estimated that capping the well would cost approximately \$15,000 to \$20,000 and plugging the well would cost approximately \$60,000 to \$75,000. Mr. Wempe reported that capping the water well would entail removing the well head and motor, and installing of a steel plate on the well casing. Mr. Wempe reviewed the advantages and disadvantages of the options. It was the consensus of the Board to cap water well no. 2. Mr. Wempe stated that he would solicit proposals for the water well capping. The Board asked if SWWC could perform the capping. Mr. Demel stated that he would research whether SWWC could perform the water well capping. Mr. Wempe stated that the electrical would be disconnected and the control panel could be left in place. Mr. Wempe reported that he will ask that the salvage value of the motor be included in the proposals. Mr. Wempe asked whether to televise the water well prior to capping. It was the consensus of the Board not to televise the water well prior to capping. The Board instructed Mr. Wempe to notify the WHCRWA that the District was capping water well no. 2. Director Phelps stated that the line should be purged with nitrogen if it is going to be reused in the future. It was the consensus of the Board not to purge the line with nitrogen as it was unlikely it would be reused in the future. The Board instructed Mr. Wempe to obtain proposals for the water well capping if the SWWC proposal was not within an acceptable price range.

Upon motion by Director Price, seconded by Director Phelps, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to authorize AECOM to review SWWC's proposal for water well no. 2 capping and obtain proposals if not acceptable.

9. **Discuss Water Well No. 2 plugging and abandonment and any necessary action.** This item was covered under the Engineer's Report.

10. **Discuss trash collection operations and take appropriate action.** No action was taken on this item.

11. **Discuss IRIS Notification System Implementation and take appropriate action.** This item was discussed under the Operations Report.

12. **Update on selling water conservation credits and take appropriate action.** No action was taken on this item.

13. **Report on WHCRWA monthly meeting.** The President noted that all directors attended except Director Phelps.

14. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the Deerfield Village Community Association Newsletter article with mention of the SWWC magnets, and the access issue for the SWWC valve and manhole survey.

15. **Discuss incentives for water conservation products and take appropriate action.** The President asked for volunteers for a subcommittee on water conservation products. The President and Director Greer volunteered to research water conservation products.

16. **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 September 9, 2010.

Original signed by Neil M Polansky
President, Board of Directors

ATTEST:

Original signed by John J Singleton
Secretary, Board of Directors

(DISTRICT SEAL)