

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 9, 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 September 9, 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 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; Mr. Eric Toureilles, President of the 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 August 12, 2010, previously distributed to the Board, were considered for review and approval. Director Phelps noted that under item #3, it was a manhole that previously could not be located, not a 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 the minutes of the meeting of August 12, 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 reported that she spoke with the District's auditor regarding the creation of a reserve fund for any possible future adjustment bill from the WHCRWA for the

under-registering meter. She stated that the District could create a reserve fund and at the end of the fiscal year the Board could decide whether to carry it forward or back out the reserve fund. Ms. Falke stated that the WHCRWA has been notified of the under-registering meter and has tested the meter. She stated that written notification was not provided to the WHCRWA. The Board asked that F&J determine if the WHCRWA may retroactively charge the District for the under-registering meter. The Board requested that Ms. Falke provide written notification to the WHCRWA that the meter is under-registering and that it is a continuing problem.

Ms. Matuska provided the District's electricity bills to the Board, a copy of which is attached hereto as Exhibit "C."

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 accept the Bookkeeper's Report, to authorize payment of check nos. 7231 through 7255 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. **Review 2010 Tax Roll from Central Appraisal District and consider the Financial Advisor's recommendation for the 2010 Tax Rate.** The Board reviewed the Memorandum prepared by Carlin Short, the District's financial advisor, a copy of which is attached hereto as Exhibit "D." Ms. Rodriguez reported that the District's assessed valuation decreased approximately 3%. The Board discussed District finances and expected 2011 expenses. Ms. Rodriguez noted that the rollback tax rate is \$0.235. The Board discussed the early redemption of the District's outstanding bonds in 2010, permitting the elimination of the debt rate component and reduction in the tax rate.

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 adopt the Order Designating Officer to Calculate and Publish Tax Rate, a copy of which is attached hereto as Exhibit "E," thereby indicating its intent to set a tax rate of \$0.215 per \$100 assessed valuation to fund maintenance and operating expenditures, and directing Ms. Rodriguez to publish the proposed tax rate in the Houston Chronicle.

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 "F." 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. 1294 through 1298 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

6. **Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts.** The President recognized Mr. Demel, who presented to and reviewed with the Board the Operations Report and Delinquent List, a copy of which is attached hereto as Exhibit "G."

Mr. Demel reported that 20,251,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") during the month of August and 823,000 gallons of water were produced at Water Plant No. 1.

Mr. Demel reviewed the maintenance and repairs performed by SWWC. He reported that SWWC installed and rewired new security lights on the side of the control room at Water Plant No. 1. Mr. Demel reported that SWWC repaired the chlorine analyzer at Water Plant No. 1. He reported that thirty-seven meters registering over one million gallons were replaced. Mr. Demel reported that SWWC performed four Phase 2 sanitary sewer point repairs.

Ms. Falke stated that the Texas Commission on Environmental Quality performs the District's water testing. She reported that municipal utility districts do not usually test for other parameters. Ms. Falke reported that it would cost \$120 per sample to test for both atrazine and simazine. The Board discussed testing the District water for common herbicides and pesticides. Ms. Falke stated that she would bring the list of common herbicides and pesticides, and costs for testing to the next Board meeting.

Mr. Demel reported on the ground storage tank anode replacement for the cathodic protection system. Mr. Demel reported that two weeks ago he was informed it would take four to six weeks to mobilize and that the project would take one day to complete.

Mr. Demel reported that the lift station hatch broke while touring the District's facilities with Director Phelps. Mr. Demel reported that he will have cost estimates for the hatch replacement at the next Board meeting.

Mr. Demel reported that SWWC had an electrician evaluate lift station #1 for electrical issues. He reported that all of the lift station wiring and switches need to be replaced.

Mr. Demel reported that SWWC performed flushing in the District following the last Board meeting when it was noted that residents were commenting on a water odor. He stated that SWWC will perform additional flushing in the District because additional comments were received from the Board today.

Ms. Falke reported that SWWC investigated a potential leak at Mr. Roberts' residence and no leak was found. She reported that no complaint has been received from Mr. Roberts.

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

7. Discuss Valve and Sanitary Manhole repairs and take appropriate action. Ms. Falke presented to and reviewed with the Board the District Valve and Sanitary Manhole Survey 2010, a copy of which is attached hereto as Exhibit "H." Ms. Falke reported that the Board has budgeted \$20,000 for valve work. She reported that the Board previously decided to defer manhole seal wall/cone work and to bid such repairs in the future. Ms. Falke requested Board authorization for the valve repairs in the amount of \$11,950, the manhole grade

adjustments in the amount of \$5,200 and the manhole reset/reseal repairs in the amount of \$2,800, for a total of \$19,950 and authorization for SWWC to hang “notices” requesting that gates be unlocked and pets secured to attempt location of the “No Locatè” manholes.

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 perform the valve repairs in the amount of \$11,950, the manhole grade adjustments in the amount of \$5,200 and the manhole reset/reseal repairs in the amount of \$2,800 and to authorize SWWC to hang “notices” requesting that gates be unlocked and pets secured to attempt location of the “No Locatè” manholes.

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 “T”

Mr. Wempe reported on the Jackrabbit Wastewater Treatment Plant Improvements. Mr. Wempe reported that he spoke with Sander Engineering regarding the addition of a new lift station to the Jackrabbit Wastewater Treatment Plant Improvements. He reported that Sander Engineering stated that there have been no significant changes in flow to the plant that triggered this new recommendation and that the new lift station should have originally been part of the Jackrabbit Wastewater Treatment Plant Improvements. Mr. Wempe reported that Sander Engineering stated that there have been lift station maintenance issues. He stated that Sander Engineering will recommend that the Jackrabbit Public Utility District approve proceeding with the design of the new lift station. The Board discussed attending the Jackrabbit Public Utility District meeting. Mr. Wempe stated that he would provide the Jackrabbit Public Utility District meeting details to the Board.

Mr. Wempe reported that the District has ductile iron and bituminous-coated cast iron pipes. He stated that both pipes have a polyethylene wrap to protect against corrosion. Mr. Wempe reported that there is no regularly scheduled inspection of the District’s pipes. He reported that the District does not have a large percentage of iron pipes and that most of the pipes are polymerized vinyl chloride (PVC).

Director Phelps noted that he could not locate water well no. 2 and the water collection line on the map in the District Director Reference Book. Ms. Falke stated that she will have that added to the map in the District Director Reference Book.

Mr. Wempe reported that AECOM has prepared the water well no. 2 abandonment bid package. He reported that as proposed, the abandonment will cost approximately \$20,000. Mr. Wempe stated that the well abandonment could result in a clean site for approximately \$35,000 to \$40,000. The Board discussed lighting, security and costs. The Board asked that Mr. Wempe provide the bid with line items so the Board may select the work and facilities to remove for the water well no. 2 abandonment.

9. Discuss Water Well No. 2 capping and any necessary action. This item was covered under the Engineer’s Report.

10. **Review Status Report on Subcommittee Recommendations on Water Rates, Review Rate Order and take appropriate action.** This item was deferred.

11. **Discuss IRIS Notification System Implementation and take appropriate action.** Director Price reported that he sent an email to Ms. Ley at TechRadium stating that TechRadium has not requested District data from SWWC and yet continues to bill the District for service. Director Price stated that he reminded Ms. Ley that the contract does not begin until service is provided by TechRadium and requested that she provide a solution to the lack of progress. Ms. Falke stated that SWWC inputting data is not part of the agreement. Director Price confirmed that SWWC inputting data was not part of the agreement with TechRadium.

12. **Discuss date for tour of District facilities, West Harris County Regional Water Authority pumping station and Jackrabbit Public Utility District wastewater treatment plant.** The Board discussed possibly touring facilities in mid-October. No action was taken on this item.

13. **Discuss HR 5320.** Director Phelps reported on the U.S. House Bill HR 5320. He stated that if passed by the U.S. Senate, the District may potentially be eligible for funds for infrastructure improvements.

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

15. **Discuss Deerfield Village Patio Homes emergency point repairs, appoint subcommittee and take appropriate action.** No action was taken on this item.

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

17. **Report on WHCRWA monthly meeting.** Director Singleton reported that the reimbursement to the District was approved in the amount of \$485,164. He reported that the WHCRWA approved chloramine conversion reimbursement up to \$190,000 for conversion projects that were bid in 2010 or prior years, and beginning in 2011, a construction cost index will be applied to determine the maximum reimbursement amount permitted. Director Price noted that the WHCRWA limited retroactive reimbursement for projects bid through 2010.

Director Singleton reported that the Harris Galveston Subsidence District is preparing rules for the aggregation of pumpage permits.

18. **Article for DVCA Newsletter.** Director Singleton stated that he would compose the Deerfield Village Community Association Newsletter article with mention of the SWWC magnets, the WHCRWA reimbursement, the deactivation of water well #2, and perhaps the street repair, depending on the status at the time of submittal. The President suggested requesting resident recommendations on water conservation products.

19. **Discuss incentives for water conservation products and take appropriate action.** No action was taken on this item.

20. **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 October 14, 2010.

Original signed by Neil M Polansky

President, Board of Directors

ATTEST:

Original signed by Brent W Phelps

Secretary, Board of Directors

(DISTRICT SEAL)