

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 14, 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 October 14, 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, except Director Singleton. 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. Paul Canevaro and Ms. Kristine Blalock of Accutest Laboratories; 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 September 9, 2010, previously distributed to the Board, were considered for review and approval. The President requested that under item #4, it be noted that there is no debt rate component to the 2010 tax rate because of the early redemption of the District's outstanding bonds in 2010. 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 September 9, 2010, as revised.

The proposed minutes of the meeting of September 14, 2010, previously distributed to the Board, were considered for review and approval. 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 minutes of the meeting of September 14, 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." Ms. Matuska reported that check #7273 is for unclaimed refunds older than three years escheated to the State Comptroller's Office.

Director Price requested that check #7272 to TechRadium, Inc. be held. Director Price reported that he contacted TechRadium, Inc. and TechRadium has failed to respond.

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

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 Bookkeeper's Report, to authorize payment of check nos. 7258 through 7281 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report, to authorize Ms. Matuska to hold check #7272 to TechRadium, Inc., and to accept the Quarterly Investment Report.

4. **Convene Public Hearing on Proposed Tax Rate for 2010.** The President opened the hearing on the proposed tax rate. There were no comments. The President closed the hearing.

5. **Adopt Order Setting Tax Rate and Levying Tax for 2010.** The President reviewed the proposed Order Setting Tax Rate and Levying Tax for 2010, a copy of which is attached hereto as Exhibit "C." Ms. Rodriguez reported that the notice of the proposed tax rate was published in the newspaper. 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 adopt the Order Setting Tax Rate and Levying Tax for 2010, thereby levying a tax in the amount of \$0.215 per \$100 assessed valuation (\$0.00 for debt service and \$0.215 for maintenance and operations).

6. **Approve Amended District Information Form.** The President recognized Ms. Deitrick, who presented to and reviewed with the Board the Amendment to Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "D." Ms. Deitrick reported that this document is recorded in the Harris County Real Property Records to provide notice to purchasers of property in the District of the current tax rate in the District.

Upon motion by Director Greer, seconded by Director Phelps, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Amendment to Amended and Restated District Information Form.

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

The Board discussed the assessed valuation of Deerfield Village Community Association ("DVCA") property and the percentage of DVCA improvements that were actually realized for the District's taxable valuation. Ms. Rodriguez reported that usually homeowner association facilities are listed with nominal value and homeowner association improvements would only nominally increase the District's taxable valuation.

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 Tax Assessor and Collector's Report and to authorize payment of check nos. 1299 through 1302 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

8. Review Operations Report, authorize repairs, and authorize termination of services to delinquent accounts. The President recognized Ms. Blalock, who reported that it would cost \$120 per sample for Accutest Laboratories to test for both atrazine and simazine. Ms. Falke stated that only results for tests performed by the Texas Commission on Environmental Quality ("TCEQ") contract samplers may be included in the District's Consumer Confidence Report. She reported that additional test results may be in a letter mailed with the District's Consumer Confidence Report. The Board discussed testing for disinfection residuals. Mr. Canevaro reported that it would cost \$250 per sample to test for trihalomethanes. Ms. Falke stated that it would cost \$1,200 per sample to test the routine panel, and that atrazine and simazine would be an additional \$120. Mr. Canevaro stated that it would cost less than \$3,000 to test for all contaminants. Ms. Blalock stated that she would provide a proposal for testing of all contaminants for the Board's consideration.

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 "F."

Ms. Falke reported that 14,200,000 gallons of water were purchased from the West Harris County Regional Water Authority ("WHCRWA") during the month of September and 328,000 gallons of water were produced at Water Plant No. 1.

Ms. Falke reviewed the maintenance and repairs performed by SWWC. She reported that SWWC performed the preventative maintenance on the well motor, booster pump motors, polyphosphate and fluoridation equipment, chlorine analyzer, chlorine detector and generator at Water Plant #1. Ms. Falke reported that SWWC will perform the annual infra-red survey on the master control center at Water Plant #1 to identify any electrical hot spots in need of repair.

Ms. Falke reported that SWWC replaced missing fire hydrant reflector dots. She reported that a tap line leak was repaired at 18302 Wilstone Drive. Ms. Falke reported that SWWC repaired the water line valve repairs identified in the 2010 survey.

The President asked if Ms. Falke was aware of the repair on Tarnbrook Drive because there is an orange fence on the sidewalk surrounding a manhole. Ms. Falke stated that she would research the repair.

Ms. Falke reported that SWWC performed one Phase 2 sanitary sewer point repair.

Ms. Falke reported that SWWC has obtained two proposals for replacement of the lift station #2 dry well hatch. She reported that All-Pump & Equipment quoted \$3,820 and Commercial Armature Works quoted \$4,562.

Ms. Falke requested Board consideration of repair, replacement or painting of the lift station #2 fence. The Board discussed installation of bushes and No Parking painted on the driveway to the lift station. It was the consensus of the Board to defer decision until the Board tours the District's facilities.

Mr. Demel reported that the West Harris County Regional Water Authority ("WHCRWA") is repairing the meter to the District. Ms. Falke reported that SWWC has added an asterisk to the WHCRWA Pumpage Form for September and October noting that SWWC believes the meter is under-reading.

Ms. Falke stated that the District provides water service to Wilson Elementary School. Director Price asked that SWWC inspect the meter and meter cover because there is a large, rusted plate at the southeast corner of the school that is dangerous and should be replaced by the District immediately if it belongs to the District. Ms. Falke stated that she would inspect the District's meter and the cover to Wilson Elementary School.

Director Phelps asked why 9,000 gallons was pumped from water well #2 since the District is arranging capping of the well. Ms. Falke stated that she would research the matter. Ms. Falke stated that water well #2 will be removed from the District's preventative maintenance list.

Upon motion by Director Greer, seconded by Director Phelps, 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 authorize the purchase of the lift station #2 dry well hatch from All-Pump & Equipment in the amount of \$3,820.

9. Discuss date for tour of District facilities, West Harris County Regional Water Authority pumping station and Jackrabbit Public Utility District wastewater treatment plant. Ms. Falke suggested November 13, 2010 at 9:00 a.m. at Water Plant #1 for the tour. The Directors stated that they would review their availability.

10. Review 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 "G."

Mr. Wempe reported on the Jackrabbit Wastewater Treatment Plant Improvements. He reported that Sander Engineering is designing the addition of the new lift station to the Jackrabbit Wastewater Treatment Plant Improvements. Mr. Wempe reported that Sander Engineering expects construction to begin in the second quarter of 2011.

Mr. Wempe reviewed with the Board the three quotes for the water well #2 capping. He recommended award to the low bidder, Layne Texas, in the amount of \$20,000.00. Mr. Wempe stated that AECOM's interpretation of the TCEQ's rules and regulations is that the water well would not require plugging if the foundation is left in place. He noted that plugging the water well would cost an additional \$30,000 to \$40,000. Mr. Wempe estimated that engineering costs for the water well capping have been less than \$5,000 thus far. The Board discussed the alternatives of the water well capping.

Upon motion by Director Phelps, seconded by Director Price, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to approve award of the water well #2 capping to Layne Texas with the omission of the Contractor Payment Bond in the amount of \$800, if permitted, and the omission of the Hydro-mulch and Seed in the amount of \$1,200, and the addition of removal of the security light pole.

11. Review bids and award contract for Water Well No. 2 capping and any necessary action. This item was covered under the Engineer's Report.

12. Approve WHCRWA Receipt and Release. The President reviewed the WHCRWA Receipt and Release, a copy of which is attached hereto as Exhibit "H." 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 WHCRWA Receipt and Release for the reimbursement payment of \$485,164.76 for the conversion to surface water expenses for the water line segment and chloramine disinfection system..

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

14. Discuss IRIS Notification System Implementation and take appropriate action. The Board reviewed the Software Terms of Service Agreement with TechRadium, Inc. It was the consensus of the Board to terminate the Software Terms of Service Agreement as permitted by the Satisfaction Guarantee in the Agreement because of TechRadium's lack of response to District requests. The Board authorized Director Price to send the termination letter to TechRadium, Inc. with a request for refund of all fees paid by the District to TechRadium.

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

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

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

18. Report on WHCRWA monthly meeting. Director Phelps reported that the test results for atrazine and simazine were within regulatory limits. He reported that accountability was 97%. Director Phelps reported that the WHCRWA discussed an \$11,500,000

loan application to the Texas Water Development Board. The President reported that the town hall meeting will occur in mid-November. He noted that no surface water conversion reimbursements were approved.

19. **Article for DVCA Newsletter.** The President stated that he would compose the Deerfield Village Community Association Newsletter article.

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

21. **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 November 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)

